

March 2012

Master of Business Administration (MBA) Examination

I Semester**Accounting for Managers**

Time 3 Hours]

[Max. Marks 80

Note : Attempt any two questions in Section A. Each question carries 10 marks. Attempt any three questions in Section B. Each question carries 20 marks.

Section A

- "Balance as shown by the Bank Pass Book should tally with the balance as shown by the Cash Book of the business." Do you agree? Explain the reasons, if not.
- Choose the correct alternative and give reason for choosing that :
 - The policy 'anticipate no profit and provide for all possible losses' arises due to:
 - Convention of consistency
 - Convention of conservatism
 - Convention of disclosure
 - None of these.
 - The primary qualities that makes accounting information useful for decision making are:
 - Relevance and freedom from bias
 - Reliability and comparability
 - Comparability and consistency
 - None of these.
 - Goods of the value of Rs. 1,000, withdrawn by the owner for his private use, should be credited to:
 - Sales account
 - Owner's drawing account
 - Purchase account
 - Expenses account.
 - The purchase book is to record:
 - Cash and credit purchase
 - Credit purchase of assets
 - All credit transactions
 - Credit purchase of goods.
 - A bank reconciliation statement is prepared to ascertain the causes of differences between:
 - The balance as shown by the cash column of Cash book with the balance of the Pass book.
 - The balance as shown by the bank column of Cash book with the balance of the Pass book.
 - The balance as shown by the cash column of Cash book with that shown by its bank column.
 - The balance as shown by the Cheque book and Pass book.
- Explain the different types of errors with suitable example and state how they affect the Trial Balance.

- Write short notes on any two of the following:
 - Target costing
 - Activity based costing
 - Cost control and Cost reduction
 - Joint product cost and By-product cost.

Section B

- The following figures relate to a company, manufacturing a varied range of products.
 Period I Sales = Rs. 15,000 Profit = Rs. 400
 Period II Sales = Rs. 19,000 Profit = Rs. 1,150.
 Calculate: (a) P/V ratio (b) Profit when sales are Rs 12,000
 (c) Sales required to earn a profit of Rs. 2,000
 (d) Margin of safety in period II (e) Variable cost in period I.
- On 1st January, 2011 Sharma & Sons undertook a contract for Rs. 5,00,000 and incurred the following expenses during the year:

	Rs.
Material consumed	50,000
Labour	40,500
Outstanding labour	1,500
Direct expenses	20,800
Indirect expenses	2,200
Plant issued	30,000
Establishment charges	15,700
Work certified	1,50,000
Work uncertified	20,000

Cash received : 80% of work certified

On 31st December, 2011 Plant & Materials at site were valued at Rs. 25,000 and Rs. 10,000 respectively. Prepare Contract Account, Work in Progress Account and ascertain the amount of profit which can reasonably be credited to the Profit and Loss Account.

- The Trial Balance of Mr. Narayan as on 31st December, 2011 was as follows:

Particulars	Debit (Rs.)	Credit (Rs.)
Purchases	1,62,505	--
Sales	--	2,52,400
Reserve for doubtful debts	--	5,200
Sundry debtors	50,200	--
Sundry creditors	--	30,526
Bills payable	--	3,950
Opening stock	26,725	--
Wages	23,137	--
Salaries	5,575	--
Furniture	7,250	--
Postage	4,226	--
Power & fuel	1,350	--
Trade expenses	5,831	--
Bad debts	525	--

Loan to Ram @ 10% (Sept. 1,2011)	3,000	--
Cash in hand	10,000	--
Trade expenses accrued, not paid	--	700
Drawings	4,452	--
Capital	--	10,000
Outstanding wages	--	2,000
	<u>3,04,776</u>	<u>3,04,776</u>

Prepare Trading and Profit & Loss Account for the year December 31, 2011, and the Balance Sheet as on that date after taking into consideration the following information:

- (1) Depreciation on furniture is to be charged @ 10%.
- (2) Sundry debtors include an item of Rs. 500 due from customer who has become insolvent.
- (3) Reserve for bad debts is to be maintained @ 5% on sundry debtors.
- (4) Goods of the value of Rs. 1,500 has been destroyed by fire and insurance company admitted a claim for Rs. 1,000.
- (5) Stock on 31st December, 2011 was Rs. 12,550.

8. A product passes through three processes. Following information are obtained from the books for the month ending 31st December, 2007 :

Items	Total (Rs.)	Process I (Rs.)	Process II (Rs.)	Process III (Rs.)
Direct material	7,542	2,600	1,980	2,962
Direct wages	9,000	2,000	3,000	4,000
Production overhead	9,000	-	-	-

1000 units at Rs. 3 each were introduced to Process I. There was no stock of material or work-in-progress at the beginning or end of the period. The output of each process passes direct to the next process and finally to finished stocks. Production overheads are recovered at 100% of direct wages. The following additional data is obtained:

Process the month	Output during loss to input	% of normal per unit	Value of scrap
Process I	950	5%	2
Process II.	840	10%	4
Process III	750	15%	5

Prepare Process Cost Accounts and Abnormal Gain and Loss Account.

9. On 1-1-2006 machinery was purchased for Rs. 80,000. On 1-1-2007 additions were made to the amount of Rs. 40,000. On 31-3-2008 machinery purchased on 1-1-2007, costing Rs. 12,000 was sold for Rs. 11,000 and on 30-6-2008 machine purchased on 1-1-2006 costing Rs. 32,000 was sold for Rs. 26,700. On 1-10-2008 additions were made to the amount of Rs. 20,000. Depreciation was provided at 10% p. a. on diminishing balance method. Show the Machinery Account for the three years 2006-2008 (year ended on December 31).