January 2010

Master of Business Administration (MBA) Examination

I Semester (Autonomous)

Accounting For Managers

Time 3 Hours] [Max. Marks 60

Note- Attempt any two questions from Section A and any three questions from Section B. All questions carry equal marks.

Section A

1. Explain the accounting using suitable example to prove its relevance.
2. A Tril Balance is only a prima facie evidence of the accuracy of the book of accounts. Comment mentioning various errors (if any) not disclosed by Trial Balance using a hypothetical example.
3. Define and explain the term Flexible Budget. How is a flexible budget constructed and what difficulties would you expect in the compilation of a flexibla budget?
4. Write short notes on the following-
   (a) Inflation Accounting
   (b) Human Resource Accounting

Section B

5. Journalise the following in the books of a trader-

Debit Balance on Jan.1st, 2009

Cash in hand = Rs. 8,000; Cash at Bank = Rs. 25,000; Stock of Goods = Rs. 20,000; Furniture = Rs. 2,000; Building = Rs. 10,000; Sundry Debtors = Vijay : Rs. 2,000, Anil : Rs. 1,000 and Madhu : Rs. 2,000.

Credit Balance on Jan. 1st, 2009

Sundry Creditors = Anand : Rs. 5,000, Loan from Babu= Rs. 10,000.

Following are the transaction for the month of January 2009 :

Date	Transactions
Jan.1	Purchased Goods worth Rs. 5,000 for cash less 20% trade discount and 5% cash discount.
Jan. 4	Received Rs. 1,980 from Vijay and allowed him Rs. 20 as discount.
Jan. 6	Purchased Goods from Bharat Rs. 5,000.
Jan. 8	Purchased plant from Mukesh for Rs. 5,000 and paid Rs. 100 as cartage for bringing the plant to the factory and another Rs. 200 for installation.
Jan. 12	Sold Goods to Rahim on credit Rs. 600.
Jan. 15	Rahim become insolvent and could pay only 50 paisa in a rupee.
Jan. 18	Sold Goods to Ram for cash Rs. 1,000.
Jan. 20	Paid salary to Ratan Rs. 2,000.
Jan. 21	Paid Anand Rs. 4,800 in full settlement.
Jan. 26	Interest received from Madhu Rs. 200.
Jan. 28	Paid to Babu interest on loan Rs. 500.
Jan. 31	Sold goods for cash Rs. 500.
Jan. 31	Withdrew goods from business for personal use Rs. 200.

6. The following is the Trial Balance of Shri Om, as on 31st March, 1999. You are requested to prepare the Trading and Profit and Loss Account for the year ended 31st March, 1999 and Balance Sheet on that date after making the necessary adjustment.

Particulars	Debit (Rs.)	Credit (Rs.)
Sundry Debtors	5,00,000	-
Sundry Creditors	-	2,00,000
Outstanding Liability for Expenses	55,000	-
Wages	1,00,000	
Carriage Outwards	1,10,000	
Carriage Inwards	50,000	
General Expenses	70,000	
Cash Discount	20,000	
Bad Debts	10,000	
Motor car	2,40,000	
Printing and Stationery	15,000	
Furniture and Fixtures	1,10,000	
Advertisement	85,000	
Insurance	45,000	
Postage and Telephone	57,500	
Salaries	1,60,000	
Rates and Taxes	25,000	
Drawings 20,000		
Capital Account	-	14,43,000
Purchases	15,50,000	-
Sales- 19,87,500		
Stock on 1st April, 99	2,50,000	
Cash at Bank	60,000	
Cash in Hand	10,500	

The following adjustment are as under-

(1) Stock on 31st March, 99 was valued at Rs. 7,25,000.
(2) A provision for Bad and Doubtful Debts is to be created to the extent of 5 percent on Sundry Debtors.
(3) Depreciate : Furniture and Fixtures : 10%, Motor Car : 20%.
(4) Shri Om had withdrawn goods worth Rs. 25,000 during the year.
(5) Salary includes goods worth Rs. 75,000 sent out to Shanti and Company on approval and remaining unsold on 31st March: The cost of goods was Rs. 50,000.
(6) The salesman are entitled to a commission of 5% on total sales.

(7) Debtors include Rs. 25,000 as Bad Debts.
(8) Printing and Stationery Expenses of Rs. 55,000 relating to 1997-1998 had not been provided in that year but was paid in the year by debitng outstanding liabilities.
(9) Purchase includes purchase of furniture worth Rs. 50,000.

7. A firm purchased on 1st January, 1994 certain machinery for Rs. 58,200 and spent Rs. 1,800 on its erection. On 1st July, 1994 additional machinery costing Rs. 20,000 was purchased. On 1st July, 1996 the machinery purchased on 1st January, 1994 having become obsolete was auctioned for Rs. 28,600 and on the same date fresh machinery was purchased at a cost of Rs. 40,000.

Depreciation was provided for annually on 31st December at the rate of 10% on written down value method. In 1997; however the firm changed this method of providing depreciation on the original cost of the machinery.

Give the Machinery Account as it would stand at the end of the year 1997.

8. 100 workers are working in a factory at a standard wage of Rs. 4.80 per hour. During a month there are four weeks of 40 hours each. The standard performance is set at 360 units per hour. The following is the summary of the wages paid during the month-

91 workers were paid @Rs. 4.80 per hour
5 workers were paid Rs. 5 per hour
The remaining were paid @Rs. 4.60 per hour

Power fallure stopped production for 2 hours. Actual production was 57960 units. Calculate labour Cost Variance, Labour Rate variance, Labour Efficiency Variance, Idle Time Variance.

9. The soft flow ink company's income statement for the preceding year is presented below. Except as noted, the cost revenue relationship for the coming year is expected to follow the same pattern as in the preceding year. Income statement for the year ending December 2008.

	Rs.
Sales (20,00,000 bottles) at 25 paisa	5,00,000
Variable cost	3,00,000
Fixed cost	1,00,000
Pre Tax Profit	1,00,000
Income Tax	50,000
Profit after Income Tax	50,000

Required-
(A) What is the break even point in sales and unit?
(B) Suppose that a plant expansion will add Rs. 50,000 to fixed cost and increase capacity by 60%. How many bottles would have to be sold after the addition, to break even?
(C) At what level of sales, will the company be able to maintain its present per tax profit position even after expansion?
(D) Suppose the plant operates at full capacity after the expansion, what profit will be earned?

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