Q.P. Code : 62202

First Semester M.B.A. (Day/Evening) Degree Examination, February/March 2020

(CBCS – 2019 Scheme)

Management

Paper 1.2 — MANAGERIAL ACCOUNTING

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Time : 3 Hours] *[Max. Marks : 70*

SECTION – A

Answer any **FIVE** of the following questions. Each question carries **5** marks : **(5 × 5 = 25)**

1. How accounting information is useful for Managerial Decisions? Explain.

2. Explain the importance of Inflation Accounting.

3. Explain the Accounting Conventions with suitable examples.

4. On 1st April 2015, a firm purchased machinery for Rs. 2,00,000 on 1st October 2015 additional machinery costing Rs. 1,00,000 was purchased. On 1st October, 2016 the machinery purchased on 1st April 2015 having become obsolete, was sold off at Rs. 90,000. On 1st October 2017, new machinery was purchased for Rs. 2,50,000 while the machinery purchased on 1st October 2015 was sold for Rs. 84,000 on the same day. The firm provides depreciation on its machinery @ 10% p.a. on the original cost. It closes its books of accounts on 31st March each year. Show machinery A/c for the period of three accounting years ending 31st March 2017.

5. Show the accounting equation for the following transactions of Rahan for the year 2016.
   (a) Rahan started business with cash Rs. 2,10,000
   (b) Purchased goods on credit Rs. 22,000
   (c) Bought goods for cash Rs. 3,000
   (d) Purchased furniture for cash Rs. 2,100
   (e) Paid rent Rs. 2,500
   (f) Withdrew cash for personal use Rs. 900
   (g) Sold goods on credit (cost Rs. 1,400) Rs. 1,600
   (h) Paid salaries Rs. 1,800

6. The following figures of XYZ Co. are available for the year ending 31.3.2018.

EBIT	Rs. 2,90,000
N/P after tax	Rs. 2,35,000
Earnings after tax	Rs. 1,20,000
Preference dividend	Rs. 35,000
Capital employed	Rs. 11,00,000
Total assets	Rs. 12,65,000

Net worth/Equity share holders fund Rs. 7,50,000. Determine the company financial status with Dupont Analysis.

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7. Following information is given by ABC Ltd. for the year 2013-14.

Profit Rs. 15,000; Fixed cost Rs. 30,000; Margin of safety Rs. 60,000. For the year 2014-15 it is anticipated that the variable cost and fixed cost will decrease by 25% and selling price will fall by 10%.

You are required to calculate for the year 2014-15.

(a) Sales to earn profit at 10% on sales and margin of safety.

(b) Profit if the sales are anticipated at 10% above the present BEP.

(c) Profit if margin of safety is anticipated 50% above the present % of margin of safety.

SECTION – B

Answer any **THREE** of the following. Each question carries **10** marks : **(3 × 10 = 30)**

8. The Balance Sheet of Biocon Ltd. On March 31, 2017 is given below. The amounts are in thousands of rupees.

Sources of funds	Amount (Rs.)
Shareholder's funds :	
Share capital	5,00,000
Reserves and Surplus	89,16,405
	9,416,405
Loan and Funds :	
Secured loans	5,87,331
Unsecured loans	4,80,402
	10,67,733
Deferred tax liability (net)	3,97,569
	1,08,81,707

Sources of funds	Amount (Rs.)
Application of funds :	
Fixed assets :	
Cost	80,99,852
Less : Accumulated Depreciation	14,49,958
Net book value	66,49,894
Capital WIP	2,99,048
	69,48,942
Intangible assets	5,12,000
Investments	7,86,000
Current assets, loans and advances :	
Inventories	15,06,589
Sundry debtors	27,48,526
Cash and Bank balance	76,313
Loans and advances	4,67,779
	47,99,207 (a)
Less : Current liabilities and provisions :	
Current liabilities	17,59,431
Provisions	4,05,011
	21,64,442 (b)
Net current assets	26,34,756
	1,08,81,707

Interpret the financial performance/position of the company by reading the Balance Sheet, as a financial expert.

9. ABC Co. Ltd. Working at 50% capacity manufacturing 12,000 units of a product cost is Rs. 200 and selling price is Rs. 220. The other information is as follows :

	Cost per unit (Rs.)
Raw material	100
Wages	40
Factory overhead	40 (40% fixed)
Administration overhead	20 (50% fixed)

At 60% capacity raw material cost goes up by 2% and sales price falls by 2%. At 80% capacity the raw material cost increase by 5% and sales price decrease by 5%. Prepare a statement to show profitability at 60% and 80% capacity.

10. From the following particulars prepare the B/S (Vertical) of Mohanlal & Co. Ltd. Current Ratio 2; Working capital Rs. 4,00,000; Capital employed to current assets 3 : 2, Fixed assets to turn over 1 : 2.

    Sales cash/credit 1 : 2, Debentures/share capital 1 : 2, Stock velocity 2 months creditors velocity 2 months, debtors velocity 3 months, Gross profit ratio 25% (to sales) Net profit 10% of turn over, Reserve 2 1/2 % to turnover.

11. The following are the changes in the account balance taken from balance sheets of Data Ltd. at the beginning and end of the year.

	Changes in Rupees in Debit (or Credit)
Equity share capital of 30,000 shares of Rs. 10 each, issued and fully paid	0
Capital reserve	(49,200)
8% debentures	(50,000)
Debenture Discount	1,000
Freehold property at cost/revaluation	43,000
Plant and Machinery at cost	60,000
Depreciation on plant & machinery	(14,400)
Debtors	50,000
Stock and Work in Progress (WIP)	38,500
Creditors	(11,800)
Net profits for the year	(76,500)
Dividend paid in respect of earlier year	30,000
Provision for doubtful debts	(3,300)
Trade Investments at cost	47,000
Bank	(64,300)
	0

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Additional Information :

(a) Capital reserve at the end of the year represented realized profits on the sale of one freehold property together with the surplus arising on the revaluation of the balance of freehold properties.

(b) During the year, the plant costing Rs. 18,000, against which a depreciation provision of Rs. 13,500 was lying was sold for Rs. 7,000.

(c) During the middle of the year Rs. 50,000 debentures were issued for cash at a discount of Rs. 1,000.

(d) The net profit for the year was after crediting the profit on sale of plant and charging debenture interest.

You are required to prepare a statement which will explain, why bank borrowing has increased by Rs. 64,300 during the year end. Ignore taxation (Cash flow statement).

SECTION – C

12. Case Study (**Compulsory**) : **(1 × 15 = 15)**

Following is the Trial balance of PQR Co. Ltd. as at 31.03.2017.

	Rs.	Rs.
Stock, 31st March 2016	1,50,000	
Sales		7,00,000
Purchases	4,90,000	
Wages	1,00,000	
Discount		10,000
Furniture and Fittings	34,000	
Salaries	15,000	
Rent	9,900	
Sundry expenses	14,100	
Surplus account 31st March 2016		30,060
Dividend paid	18,000	

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	Rs.	Rs.
Share capital		2,00,000
Debtors and Creditors	75,000	35,000
Plant and Machinery	58,000	
Cash and Bank	32,400	
Reserve		31,000
Patents and Trade Mark	9,660	
	10,06,060	10,06,060

As per 2013 Corp., Act prepare a statement of P & L and B/S for the year ending 31st March 2017. Take into consideration the following adjustments.

(a) Stock on 31.3.17 was valued at Rs. 1,64,000

(b) Depreciation on fixed assets @ 10%

(c) Provision for Income tax @ 50%

(d) Ignore Corporate dividend tax