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M.P. Birla Institute of Management LIBRARY

I Semester M.B.A. (Day) Degree Examination, August - 2021

MANAGEMENT

Accounting For Managers

(CBCS Scheme 2014-15 and Onwards)

Paper : 1.3

Time : 3 Hours **Maximum Marks : 70**

SECTION-A

Answer any **Five** questions. Each question carries **5** marks. **(5×5=25)**

1. What Is GAAP? Explain its purpose.
2. Write a note on Quality of earnings.
3. Explain in detail about Target Costing.
4. Give accounting equation for the following transactions of Mr. Manjunath for the year 2020.
   a) Started business with cash Rs.18,000
   b) Purchased goods for cash Rs. 2,000
   c) Rent paid Rs. 1,000
   d) Purchased goods on credit Rs. 5,000
   e) Depreciation on equipment Rs. 50
   f) Bought Furniture for personal use Rs. 8,000
   g) Sold goods for cash 4,000 costing Rs. 2,400
5. Mr. Arun Purchased a machine on 01 Jan 2018 for Rs.2,00,000, Paid customs duty & Fright Rs. 5,000 and installation Rs.50,000. He purchased another Machine on 01/07/2018 for Rs. 1,00,000.
   On 01/07/2020, He sold 1/3rd of first machine for Rs.45,000 & Purchased another Machinery
   for Rs.65,000. Depreciation is 25% per annum.
   Follow Straight Line method assume the books are closed on 31/Dec.
   Prepare Machinery Account for 2018 to 2020.
6. The sales and profit figures of two years given below

Particulars	2019	2020
Sales	1,50,000	1,70,000
Profit	20,000	25,000

Calculate:

   a) PV ratio
   b) Fixed cost
   c) Break even sales
   d) Sales required to earn profit of Rs.40,000.

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7. Given:
Current Ratio 2.5 times
Liquid Ratio 1.5 times
Working capital 60,000
Calculate :
1. Current assets
2. Current Liabilities
3. Liquid assets
4. Stock

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SECTION-B

Answer any **Three** questions. Each question carries **10** marks. **(3×10=30)**

8. A firm has annual sales of Rs.1,20,000 Prepare a Balancesheet from the following information.
Sales to Net worth 3 times
Fixed assets to Net worth 40%
Current debt to Net worth 40%
Current Ratio 3 times
Total debt to Net worth 60%
Net sales to inventory 4 times
Average debt collection period 42 days.

9. Explain in detail about Accounting concepts and Conventions.

10. Prepare a flexible budget for overhead expenses based on the following data

Particulars	**At 80% capacity (in Rs.)**
Fixed overhead	
Depreciation	11,000
Insurance	3,000
Salaries	10,000
Semi -Variable overhead	
Power (30% Fixed, 70% Variable)	20,000
Repairs & Maintenance (60% fixed)	2,000
Variable overhead	
Indirect Labour	12,000
Stores including spares	4,000
Total overheads	62,000
Estimated Direct labour hours	1,24,000 hours

Determine the overall overhead costs at 70%, 80% and 90% plant capacity. And calculate Direct Labour rate.

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11. Prepare Cash flow statement from the following Transactions.

Liabilities	2019	2020	Assets	2019	2020
Share capital	1,00,000	1,30,000	Land & Building	1,00,000	95,000
General Reserve	25,000	30,000	Machinery	75,000	84,500
P&LA/c	15,200	15,400	Stock	50,000	37,000
Bank Loan (Long term loan)	35,000	-	Debtors	40,000	32,100
Creditors	75,000	67,500	Cash	200	300
Provision For Tax	15,000	17,500	Bank	-	4,000
			Goodwill	-	7,500
	2,65,200	**2,60,400**		**2,65,200**	**2,60,400**

1. Dividend paid during the year Rs.11,500
2. Machinery was purchased for Rs.4,000
3. Depreciation written off on machinery Rs.6,000
4. Income tax paid Rs.16,500
5. Loss on sale of machine Rs.100 was written off on General reserve
6. Asset of another company purchased for Rs.30,000 payable in shares. The assets worth stock Rs.10,000, Machinery Rs.12,500.

SECTION-C

12. The Andaman company Ltd. was registered with authorized capital of 1000000 divided into shares of Rs.10 each. The following Trial Balance on 31/03/2020. **(1×15=15)**

Particulars	Debit	Credit
Stock (1-04-2019)	1,86,420	
Sales and purchase returns	12,680	9,850
Manufacturing expenses	19,240	
18% Bank Loan (Secured)		50,000
Office salaries and Expenses	17,870	
Directors Remuneration	26,250	
Freehold premises	1,64,210	
Furniture	5,000	
Debtors and creditors	1,05,400	62,220
Cash at bank	96,860	
Profit and loss account 1-04-2019		38,640
Share capital		4,00,000
Purchases and sales	7,18,210	11,69,900
Manufacturing wages	1,09,740	
Carriage inwards	4,910	
Interest on Bank Loan	4,500	
Auditors fees	8,600	
Preliminary Expenses	6,000	
Plant and Machinery	1,28,400	
Loose Tools	12,500	
Cash in hand	19,530	
Advance payment of Tax	84,290	
	17,30,610	**17,30,610**

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You are required to prepare P & L account for the year ended 31/03/2020 and Balance sheet as at that date after taking into consideration of the following adjustments.

1. On 31/03/2020 outstanding manufacturing wages and outstanding salaries stood at Rs 1890 and Rs 1200 respectively.
2. On the same day stock was valued at Rs 124480 and Loose tools at Rs.10,000
3. Provide interest on bank loan for 6 months
4. Depreciation on Plant & Machinery is to be provided @ 15% while on office furniture is to be @10%. Write off on one third of balance of preliminary expenses.
5. Make provision for income tax @ 50%
6. The directors recommended dividend @ 15% for the year ended 31/03/2020 after transfer of 5% Net profits.
7. Corporate dividend tax rate on dividend is 17%.