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## Paper ID [MB103]

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MBA (Sem. - 1<sup>st</sup>)

ACCOUNTING FOR MANAGEMENT (MB-103)

Time : 03 Hours

Maximum Marks : 60

Instruction to Candidates:

- 1) Section - A is **Compulsory**.
- 2) Attempt any **Four** questions from Section - B.

### Section - A

Q1)

(10 × 2 = 20)

- a) "The emphasis of financial accounting is different from that of Cost Accounting". Comment.
- b) Explain the steps (in sequence form) involved in the accounting cycle.
- c) "Depreciation is an important source of funds (working capital)". Do you agree. Justify your answer.
- d) What do you mean by Cash Flow Statement?
- e) "Fixed Costs are really variable. The more you produce the less they become". Do you agree? Explain.
- f) Distinguish between Materials Price Variance and Materials Usage Variance.
- g) During the current year, AB Ltd. showed a profit of Rs.1,80,000 on a sale of Rs.30,00,000. The variable expenses were Rs.21,00,000. You are required to work out:
  - (i) Break-even sales at present
  - (ii) Break-even sales, if variable expenses increase by 5 percent.

- h) What are the points of similarity and points of difference between budgets and standard costs?
- i) Define Human Resource Accounting. Enlist the advantages of Human Resource Accounting.
- j) How does Activity Based Costing differ from the traditional costing approach?

**Section - B**

**(4 × 10 = 40)**

**Q2)** From the following Trial Balance extracted from the books of Ravi, prepare a Trading Account, Profit and Loss Account for the year ending 31st March, 2006 and a Balance Sheet as on that date.

	Dr. (Rs.)	Cr. (Rs.)
Capital		20,000
Drawings	1,700	
Plant & Machinery	12,000	
Horses & Carts	2,600	
Debtors	3,600	
Creditors		2,600
Purchases & Sales	2,000	4,200
Wages	800	
Cash at bank	2,600	
Salaries	800	
Repairs	190	
Opening Stock	1,600	
Rent	450	
Manufacturing Expenses	150	
Bills Payable		2,350
Bad Debts	500	
Carriage	160	

The following adjustments are to be made:

- (a) Closing Stock Rs.1,600.
  - (b) Depreciate Plant and Machinery - 10%; Horses & carts - 15%
  - (c) Allow interest on capital at 5% p.a.
  - (d) Rs.150 is due for wages
  - (e) Paid Rs.50 as Rent in advance.
- Q3)** Explain, in detail, the different methods used for analysis and interpretation of financial statements.
- Q4)** The following information was taken from the financial statements of XYZ Ltd. (amount in thousand of rupees)

Particulars	Year 1	Year 2	Year 3
Total Assets	750	850	860
Credit Sales	420	520	550
Cost of Goods Sold	450	595	645
Cash	50	60	55
Debtors	150	165	180
Inventory	130	160	170
Net Fixed Assets	120	260	250
Creditors	75	85	100
Short-term Debt	125	175	170
Long-term Debt	125	185	175
Equity	125	200	210

Calculate following ratios (indicating efficient use of assets) and discuss potential sources of trouble.

- (a) Current Assets Turnover
- (b) Debtors' Turnover
- (c) Inventory Turnover
- (d) Fixed Assets Turnover
- (e) Total Assets Turnover

Note: Debtors and Inventory at the end can be taken where opening balances are not available.

- Q5)** Discuss in detail, the various basis of classification of cost and various types of cost.

Q6) XYZ Ltd. operates a chain of shoe stores. The stores sell 10 different styles of men's shoes with identical purchase costs and selling prices. The company is trying to determine the desirability of opening another store, which would have the following expense and revenue relationships per pair.

<u>Variable data:</u>	<u>Rs.</u>
Selling Price	30.00
Cost of shoes	19.50
<u>Salesmen's Commission</u>	<u>1.50</u>
<u>Total Variable Expenses</u>	<u>21.00</u>
<u>Annual Fixed Expenses:</u>	<u>Rs.</u>
Rent	60,000
Salaries	2,00,000
Advertising	80,000
<u>Other Fixed Expenses</u>	<u>20,000</u>
<u>Total Fixed Expenses</u>	<u>3,60,000</u>

Required to calculate the following. (consider each question separately)

- What is the Annual Break-Even Point in sales amount and in unit sales?
- If 35,000 pairs of shoes are sold, what would the store's net income be?
- If the store manager was paid Rs.0.30 per pair as commission, what would the annual break-even point be in sales amount and in unit sales?
- Refer to the original data. If the store manager was paid Rs.0.30 per pair as commission on each pair sold in excess of the break-even point, what would be the store's net income if 50,000 pairs were sold?
- Refer to the original data. If sales commissions were discontinued in favour of Rs.81,000 increase in fixed salaries, what would the annual break-even point be in amount and in unit sales?

Q7) Define a Responsibility centre. Why are responsibility centres created? Explain the various kinds of responsibility centres.

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