



**I Semester M.B.A. Examination, August 2011  
ACCOUNTING FOR MANAGERS**

Time : 3 Hours

Max. Marks : 75

**PART – A**

Answer **five** of the following : **(3×5=15)**

1. Explain the accounting principles governing the preparation of Balance Sheet.
2. What is receipts and expenditure account ? Does it differ in any way from income account ? If so mention points of distinction.
3. Enumerate the methods of calculating depreciation.
4. “Costing is an aid to management”. Enumerate the main points in support of this statement.
5. “The effect of a price reduction is always to reduce the P/V ratio and to raise the BEP”. Explain.

**PART – B**

Answer **any four** questions : **(4×15=60)**

6. Briefly describe the all financial resources concept of funds flow.
7. What procedure would you adopt to study the liquidity of a business firm ?
8. Who are all the parties interested in knowing accounting information ?
9. A company budgets a production of 5,00,000 units at a variable costs of Rs. 20 each. The fixed costs are Rs. 20,00,000. The Selling price is fixed to yield 25% on cost. You are required to calculate :
  - a) P/V ratio
  - b) Break even pointIf the selling price is reduced by 20% find
  - i) the effect of the price reduction on the BEP and P/V ratio
  - ii) the number of units required to be sold at the reduced selling price to obtain an increase of 20% over the budgeted profit.



10. Explain fully the following statements :

- a) “Lower the Break-even point, better it is”.
- b) “Greater the variability of cash flows, higher should be the minimum cash balance”.
- c) “Weighted average cost of capital would always be higher, if the market value weights are used”.
- d) “Capitalisation of reserves is different from capital reserves”.

11. Why do you understand by the term ‘pay-out ratio’ ? What factors are taken into consideration while determining pay-out ratio ? Should a company follow a fixed pay-out ratio policy ? Discuss fully.

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