

AS-752

M.B.A. (Semester-I) Examination
ACCOUNTING FOR MANAGERS
Paper—MBA/104

Time : Three Hours]

[Maximum Marks : 70

- Note :—**(1) Attempt **all** questions.
(2) Figures to the right indicate mark.

SECTION—A

1. (a) Define the term accounting along with its importance. What group of people would be interested in accounting report and why ? 14

OR

- (b) Describe the International Financial Reporting Standards referred for financial reporting. 14

SECTION—B

2. (a) Explain Simple Average and Weighted Average Method of valuation of inventory with illustration. 7

- (b) On 1st April, 2012 Wise Ltd. purchased a machine for Rs. 1,10,000 and spent Rs. 6,000 on its installation. The expected life of the machine is Rs. 4 years at the end of which the estimated scrap value will be Rs. 16,000. Desiring to replace the machine on the expiry of its life, the company establishes a sinking fund. Investments are expected to realise 5% interest.

On 31st March, 2016 the machine was sold as scrap for Rs. 18,000 and the investments were realised at 5% less than the book value. On 1st April, 2016, a new machine is installed at a cost of Rs. 1,25,000. Sinking fund table shows that Rs. 0.2320 invested each year will produce Re. 1 at the end of 4th year at 5% interest.

Show the necessary ledger accounts in the books of Wise Ltd. for all the years. 7

OR

- (c) Explain the purpose of charging depreciation and the components you will consider while determining the amount of depreciation. 7

- (d) Following are the details regarding the receipts and issues of material X in respect of a firm :

Receipts :

Jan. 1 Balance 50 units @ 4 per unit
Jan. 5 Purchase order 40 units @ Rs. 3 per unit
Jan. 8 Purchase order 30 units @ Rs. 4 per unit
Jan. 15 Purchase order 20 units @ Rs. 5 per unit
Jan. 26 Purchase order 40 units @ Rs. 3 per unit

Issues :

Jan. 10 Materials requisition 70 units
Jan. 12 Materials requisition 10 units
Jan. 20 Materials requisition 20 units
Jan. 24 Materials requisition 10 units
Jan. 31 Shortage 5 units

You are required to calculate the value of inventory on Jan. 31 according to Weighted Average Price Method. 7

3. (a) Explain Marginal Costing. How are variable costs and fixed costs treated in Marginal Costing. 7
(b) Mr. X furnishes the following data relating to the manufacture of a standard product during the month of April, 2008 :

Raw Materials Consumed	60,000
Direct labour charges	36,000
Machine hours worked	3,600
Machine hour-rate	Rs. 5
Administrative overheads	20% on works cost
Selling overheads	Rs. 1 per unit
Units produced	10,000
Units sold	9000 at Rs. 20 per unit

Prepare a cost sheet giving per unit cost and profit. 7

OR

- (c) What is Absorption Costing ? State how it is different from Marginal Costing. 7
- (d) From the following data given : Fixed expenses Rs. 4,000, BEP Rs. 10,000. Calculate : 7
- (i) P/V ratio
- (ii) Profit when selling price is reduced by 20%
- (iii) New break even point if selling price is reduced by 20%. 7

SECTION—C

4. (a) "Analysis of financial statement is a process of evaluating relationship between components of financial statements for better understanding of firm's performance". Explain. 7
- (b) Explain External and Internal Analysis of financial statements. 7

OR

- (c) Explain the concept of common size statement analysis. 7
- (d) Explain Current Ratio. How is it different from Liquid Ratio ? 7

SECTION—D

5. The following information at 50% capacity is given, prepare a flexible budget and forecast the profit or loss at 60%, 70% and 90% capacity :

Expenses at 50% Capacity

Fixed Expenses

Salaries	50,000
Rent and taxes	40,000
Depreciation	60,000
Administrative expenses	70,000

Variable Expenses

Materials	2,00,000
Labour	2,50,000
Other	40,000

Semi Variable Expenses

Repairs	1,00,000
Indirect Labour	1,50,000
Others	90,000

14

