



PJ – 671

I Semester M.B.A. Degree Examination, January/February 2019
(CBCS) (2014 – 15 & Onwards)

MANAGEMENT

Paper – 1.3 : Accounting for Managers

Time : 3 Hours

Max. Marks : 70

SECTION – A

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

1. Explain the concepts underlying the preparation of Financial Statements.
2. Define inventory according to AS – 2. Explain its scope and coverage.
3. Write a note on Target costing.
4. On 1-4-2016 Raj purchased a machinery for Rs. 7,20,000 and spent 80,000 for installation. On 30-9-2017 he sold a part of machinery costing Rs. 1,80,000 for 1,20,000. New machinery was purchased on the same day for Rs. 3,00,000 and spent 60,000 for transportation. The depreciation was charged at 10% per annum on W.D.V. Show the machinery account for four year from 1-4-2016.
5. From the following details, prepare commonsize income statement for the year ending 31-3-2017 and 31-3-2018 and comment on the financial position of the concern.

Particular	31-3-2017	31-3-2018
	Rs.	Rs.
Sales	35,00,000	50,00,000
Cost of goods sold	2,40,000	36,00,000
Operating expenses	4,00,000	5,00,000
Financial expenses	2,00,000	3,00,000
Tax rate	35%	35%

6. From the following data, calculate break even point.

Budgeted output (in units)	70,000
Fixed cost :	Rs. 8,00,000
Selling price per unit :	Rs. 44
Variable cost per unit :	Rs. 24

If the selling price is reduced to Rs. 40 per unit, what will be the revised BEP ?

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7. The details given below related to 60% capacity, when the production was 6000 units.
- Material – 240 per unit
 - Labour – 100 per unit
 - Direct expenses – 30 per unit
 - Factory expenses – 500000 (40% fixed)
 - Administrative expenses – 350000 (50% fixed)
- Prepare a flexible budget showing marginal cost and total cost for 50% and 75% capacity.

SECTION – B

Answer **any three** questions. **Each** question carries **10** marks.

(3×10=30)

8. What are the objectives of financial statement analysis ? Explain the different methods of financial statement analysis.
9. XYZ Ltd. has collected the following information for the preparation of cash flow statement for the year 2017.

Net Profit	5,00,000
Dividend (including dividend tax) paid	1,70,700
Income tax paid during the year	84,960
Provision for income tax	1,00,000
Loss on sale of assets (net)	800
Book value of the assets sold	3,700
Depreciation charged to P & L A/c	4,00,000
Amortisation of capital grant	120
Profit on sale of investments	2,000
Carrying amount of investment sold	5,55,300
Interest on investments received	50,120
Interest expenses	2,00,000
Interest paid during the year	2,10,400
Increase in working capital-excluding	
Cash and Bank balance	11,21,500
Purchase of fixed assets	2,91,200
Investments in joint venture	77,000
Expenditure on construction work in progress	6,94,800
Proceeds from calls in Arrears	40
Receipt of Grant for capital projects	240
Proceeds from long term borrowings	5,19,600
Proceeds from short term borrowings	4,11,500



Opening cash and Bank balance	1,00,060
Closing cash and Bank balance	1,39,760

You are required to prepare cash flow statement (by indirect method) for the year 2017 in Accordance with AS-3(raised).

10. The summarized balance sheet of ABC Ltd. for the year ending 31-3-2018 in given below.

Liabilities		Assets		(Rs. lakhs)
Equity share capital	140	Fixed Assets (at cost)	210	
Reserves and surplus	45	Less : Depreciation	25	185
Profit and loss A/c	20	Stock		25
Provision for taxation	10	Debtors		30
Sundry creditors	40	Cash		15
	255			255

The following further particulars are also given below.

Sales	Rs. 120 lakhs
EBIT	30 lakhs
Net profit after tax	20 lakhs

Calculate the following for the company and explain the significance of each in one or two sentences.

- i) Current ratio
 - ii) Liquidity ratio
 - iii) Profitability ratio
 - iv) Profitability on funds employed
 - v) Debtors turn over
 - vi) Stock turn over
 - vii) Average collection period
 - viii) Return on equity.
11. Cook Well Ltd. manufactures pressure cookers, the selling price of which is 300 per unit. Currently the capacity utilisation is 60% with sales turnover of 18 lakhs. The company proposes to reduce selling price by 20% but desires to maintain the same profit position by increasing the out put. Assuming that the increased out put could be made and sold, determine the level at which the company should operate to achieve the desired objective.
- The following further data is available :
- i) Variable cost per unit Rs. 60
 - ii) Semi variable cost (including variable element of Rs. 10 per unit). Rs. 1,80,000
 - iii) Fixed cost Rs. 3,00,000 will remain constant up to 80% level. Beyond this an additional amount of Rs. 60,000 will be incurred.



SECTION – C

12. Compulsory.

(1×15=15)

The following is the trial balance of Mamta Fashions Pvt. Ltd. as on 31st March 2018.

Accounts Heads	Debt (Rs.)	Credit (Rs.)
Building	3,60,800	
Plant and Machinery	4,95,000	
Opening Inventory	1,12,500	
Debtors	1,06,050	
Land	87,500	
Cash in hand	4,725	
Cash at bank	45,500	
Bills receivable	58,875	
Purchases	27,07,500	
Wages	86,970	
General expenses	10,252	
Salaries	90,338	
Bad debts	3,165	
Interest on term loan	27,000	
Equity share capital		3,00,000
10% Preference share capital		1,00,000
Secured term loan from Delhi Financial Corporation @ 12% p.a.		4,50,000
P and L A/c balance as on 1 – 4 – 2017		39,375
Bills payable		55,500
Creditors		93,800
Sales		31,20,000
General reserve as on 1 – 4 – 2017		37,500
Total	41,96,175	41,96,175

- Value of inventory as on 31-3-2018 is Rs. 1,35,000
- Depreciation is to be provided at 10% on Building and 15% on Plant and machinery.
- Interest on term loan is due for 6 months.
- Doubtful debts are to be provided for Rs. 3,000
- Outstanding Wages Rs. 8,030
- Directors want to provide
 - 10% final dividend
 - Income tax Rs. 30,000
 - Reserve fund Rs. 25,000

Prepare income statement and balance sheet as on 31-3-2018 in vertical form.