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MBA (Sem. - 1st)

ACCOUNTING FOR MANAGEMENT

SUBJECT CODE : MB - 103 (2k8 & Onwards)

Paper ID : [C0166]

[Note: Please fill subject code and paper ID on OMR]

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) Accrual concept of accounting.

b) Double entry system.

c) Book Keeping.

d) Marginal costing.

e) Zero base budgeting.

f) Kaizen costing.

g) Sinking fund.

h) Rules of debit and credit.

i) Current ratio.

j) Activity based costing.

Section - B

(4 × 10 = 40)

Q2) What are accounting principles? Discuss in detail the accounting concepts and conventions.

Q3) "Management accounting is nothing more than the use of financial information for management purposes". Explain this statement and clearly distinguish between financial accounting and management accounting.

Q4) What is Price level accounting? Discuss in detail the various technique of accounting for price level changes.

Q5) On 31st March 2010, the following trail balance was extracted from the books of Mr. Sumit, you are required to prepare the following after necessary adjustments:

i. Trading account

ii. Profit and loss account

iii. Balance Sheet as on date

Particulars	**Debit (Rs.)**	**Credit (Rs.)**
Capital account		80000
Drawings	6000	
Plant and Machinery (1st April 2009)	20000	
Plant and Machinery (additional on 30th September 2009)	5000	
Stock on 1st April 2009	15000	
Sales and Purchases	82000	120000
Return inwards and outwards	2000	1000
Debtors and creditors	20600	10000
Furniture and fixtures	5000	
Freight and duty	2000	
Carriage outwards	500	
Rent, rates and taxes	4600	
Printing and stationery	800	
Trade expenses	400	
Postage and telegram	800	
Provision for doubtful debts		400
Discount		800
Rent of Premises sublet of year upto 30th September 2009		1200
Insurance charges	700	
Salaries and wages	21300	
Cash in Hand	6200	
Bank Balance	20500	
Total	**213400**	**213400**

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Other adjustments that have not been considered in books are as follows:

i) Stock on 31st March 2010 was valued at Rs. 14600

ii) Rs. 600 to be written off as bad debts

iii) Provision for doubtful debts to be maintained at 5%

iv) Provide for discount on debtors @ 2%

v) Reserve for discount on creditors @ 2%

vi) Depreciate furniture @ 5% p.a.

vii) Depreciate plant and machinery @ 20 % p.a.

viii) Prepaid insurance amounted to Rs. 100

ix) Stock to the value of Rs. 5000 was destroyed in a fire in March, 2010. The Insurance company admitted the claim in full.

Q6) The following information is given:

Current ratio	2.5
Liquidity ratio	1.5
Net working capital	Rs.300000
Stock turnover ratio (cost of sales / closing stock)	6 times
Gross profit ratio	20%
Fixed assets turnover ratio	2 times
Average debt collection period	2 months
Fixed assets: Shareholders net worth 1: 1	
Reserves: Share capital	0.5 : 1

Complete the balance sheet from the above information

Balance Sheet as on 31st March 2010

Liabilities	**Amount**	**Assets**	**Amount**
Share Capital	—	Fixed Assets	—
Reserves	—	Liquid Assets	—
Long term debts	—	Stock	—
Current Liabilities	—		
TOTAL	—	**TOTAL**	—

Q7) The comparative balance sheets of a X limited company are given for the year ending 31st March, 2009 and 2010

Balance sheet of X Limited as at 31st March

Liabilities	2009	2010	Assets	2009	2010
Equity share capital	600000	800000	Land and Building (at cost)	300000	400000
8% debentures	200000	300000	Plant & Machinery (at cost)	400000	645000
Profit and loss account	125000	250000	Bank balance	20000	40000
Sundry creditors	115000	90000	Stock	300000	350000
Provision for debts	6000	3000	Preliminary expenses	7000	6000
Provision for depreciation			Sundry debtors	69000	61000
- on land & building	20000	24000			
- on plant & machinery	30000	35000			
	1096000	**1502000**		**1096000**	**1502000**

Additional information:

a) During the year a part of machinery costing Rs. 70000 (accumulated depreciation thereon Rs. 2000) was sold for Rs. 6000.

b) Dividends of Rs. 50000 were paid during the year.

You are require to ascertain:

a) Changes in working capital for 2010.

b) Funds flow statement.

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