

Reg. No. :

Code No. : 5690

Sub. Code : WBAM 14

M.B.A. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2023.

First Semester

Business Administration – Core

ACCOUNTING FOR MANAGERS

(For those who joined in July 2023 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (15 × 1 = 15 marks)

Answer ALL questions.

Choose the correct answer:

1. A company has _____ .
- (a) Separate Legal Entity
 - (b) Perpetual Existence
 - (c) Limited Liability
 - (d) All of the Above



2. Which of the following statements is incorrect?
- (a) $\text{Assets} - \text{Capital} = \text{Liabilities}$
 - (b) $\text{Liabilities} + \text{Assets} = \text{Capital}$
 - (c) $\text{Liabilities} + \text{Capital} = \text{Assets}$
 - (d) $\text{Assets} - \text{Liabilities} = \text{Capital}$
3. Financial accountancy is governed by _____
- (a) local standards only
 - (b) international standards
 - (c) local as well as international accounting standards
 - (d) company's internal top management only
4. _____ statements of the financial position at different periods of time.
- (a) Common size statement
 - (b) Comparative financial statements
 - (c) Ratio analysis
 - (d) variance analysis
5. The satisfactory ratio between internal and external equity is _____
- | | |
|---------|---------|
| (a) 1:1 | (b) 2:1 |
| (c) 3:1 | (d) 4:1 |

6. Financial statements are meaningful and useful only when they are:
- (a) analyzed and interpreted
 - (b) vertical
 - (c) presented to owners
 - (d) published
7. The cost that does not fluctuate based on the volume of the production is known as _____
- (a) Variable cost
 - (b) Fixed cost
 - (c) Semi-variable cost
 - (d) None of the above
8. How is the break-even point affected by the fixed cost?
- (a) If the fixed cost decreases, the break-even point decreases
 - (b) If the fixed cost increases, the break-even point decreases
 - (c) If the fixed cost remains constant, the break-even point decreases
 - (d) None of the above
9. Fixed cost includes _____
- (a) Property taxes
 - (b) Rent
 - (c) Insurance premium
 - (d) All of the above



10. A budget is a plan of action expressed in _____
 (a) Financial terms (b) Non financial terms
 (c) Both (a) and (b) (d) Subjective matter
11. Cash budget is based on:
 (a) Sales forecasts
 (b) Expenses budgets
 (c) Capital expenditure budgets
 (d) All the above
12. Budgetary control system acts as a friend, and guide to the:
 (a) Management (b) Shareholders
 (c) Creditors (d) Employees
13. Costing refers to the technique and processes of _____
 (a) ascertainment of costs
 (b) allocation of costs
 (c) apportion of costs
 (d) distribution of costs
14. Warehouse rent is a part of _____
 (a) prime cost (b) factory cost
 (c) distribution cost (d) production cost

Page 4

Code No. : 5690

15. Which of the following activities is true about the cost variance under the Standard Costing System?
 (a) Cost variance is the difference between the standard cost and the actual Cost
 (b) Cost variance is the difference between the standard cost and the budgeted cost
 (c) Cost variance is the difference between the standard cost and the marginal cost
 (d) Cost variance is the difference between the actual cost and the marginal cost

PART B — (5 × 4 = 20 marks)

Answer ALL questions, choosing either (a) or (b).

16. (a) List out the differences between Journal and Ledger.

Or

- (b) From the following balances extracted at the close of the year ended 31st Dec.2016,

Prepare Profit and Loss account of Mr. Raj as at that date

	Rs.		Rs.
Gross profit	55,000	Repairs	500
Carriage on sales	500	Telephone expenses	520
Office Rent	500	Interest (Dr.)	480
General expenses	900	Fine insurance premium(Cr.)	900
Discount to customers	360	Bad debts	2,100
Interest from Bank	200	Apprentice Premium(Cr.)	1,500
Travelling expenses	700	Printing & Stationery	2,500
Salaries	900	Trade expenses	300
Commission	300		

Page 5

Code No. : 5690



17. (a) From the following information calculate Gross Profit Ratio:

Particulars	Rs.
Opening Stock	18,000
Closing Stock	22,000
Purchases	46,000
Wages	14,000
Sales	80,000
Carriage Inwards	4,000

Or

- (b) From the following information, prepare common size balance sheet of Roop K.Goyal Ltd.

Particulars	2008 (Rs. in Lac)	2009 (Rs. in Lac)
Equity Capital	4	5
9% Redeemable Preference share Capital	2	2.50
Creditors	2	1.00
Bills Payable	0.50	1.00
Total Liabilities	8.50	9.50
Fixed Assets	5	4
Debtors	2	3
Stock	1	1
Bills Receivables	---	0.50
Cash	0.50	1
Total Assets	8.50	9.50

18. (a) Describe the benefits of Breakeven analysis.

Or

- (b) Determine the amount of fixed expenses from the following particulars:

Sales Rs. 2,40,000: Direct Materials Rs. 80,000 : Direct Labor Rs. 50,000 : Variable Over heads Rs. 2,000 and Profit Rs. 50,000.

19. (a) Illustrate the advantages of cash budget.

Or

- (b) Interpret the objectives of budgetary control.

20. (a) List out the elements of cost.

Or

- (b) Explain the methods of disclosure in accounting.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

21. (a) Discuss about the different types of accounting concepts.

Or

- (b) The Following Trial Balance has been prepared wrongly. You are asked to prepare trial balance correctly:



Name of the Account	Debit Balance Rs.	Credit Balance Rs.
Cash in Hand		
Purchase returns	4,000	2,000
Wages	8,000	
Establishment Expenses	12,000	
Sales Returns		8,000
Capital	22,000	
Carriage outward		2,000
Discount received	1,200	
Commission earned	800	
Machinery		20,000
Stock		10,000
Debtors	8,000	
Creditors		12,000
Sales		44,000
Purchases	28,000	
Bank Over Draft	14,000	
Manufacturing expenses		14,000
Loan from Ashok	14,000	
Carriage inward	1,000	1,000
Interest on investments		
	<u>1,13,000</u>	<u>1,13,000</u>

Page 8

Code No. : 5690

22. (a) From the following Balance sheet of XYZ Ltd. Compute:

- Proprietary Ratio
- Debt - Equity ratio
- Funded debt to total capitalization ratio
- Fixed asset to net worth ratio
- Solvency ratio

Balance Sheet			
Liabilities		Assets	
Equity Share Capital	3,00,000	Goodwill	90,000
Preference share capital	1,50,000	Loan & Building	1,00,000
Reserve fund	50,000	Plant & Machinery	2,50,000
Profit & Loss a/c	20,000	Equipment	60,000
Share premium	10,000	Furniture	80,000
Debentures	2,00,000	Sundry Debtors	90,000
Mortgage Loan	60,000	Bills Receivables	1,00,000
Sundry Creditors	80,000	Stock in Hand	1,20,000
Income tax provision	20,000	Cash balance	45,500
Depreciation fund	50,000	Prepaid insurance	4,500
Total	<u>9,40,000</u>		<u>9,40,000</u>

Or

Page 9

Code No. : 5690



- (b) Prepare a cash flow statement for the year ending 31st March 2020 from the Balance sheets given below:

Liabilities	March 31 st 2019 Rs.	March 31 st 2020 Rs.
Share capital	5,00,000	6,50,000
General reserve	1,00,000	1,50,000
Profit & Loss A/c	50,000	1,50,000
7%	2,00,000	2,00,000
Debentures	2,00,000	2,00,000
Creditors	50,000	65,000
Proposed dividend		
	<u>11,00,000</u>	<u>14,15,000</u>
Assets	March 31 st 2019 Rs.	March 31 st 2020 Rs.
Fixed assets	4,00,000	5,00,000
Less : depreciation		50,000
Investments	4,00,000	4,50,000
Debtors	1,00,000	1,00,000
Stock	2,00,000	3,00,000
Cash	2,00,000	2,50,000
Mis. exp	1,50,000	3,15,000
	<u>11,00,000</u>	<u>14,15,000</u>

23. (a) Raj Corp. Ltd. has prepared the following budget estimates for the year 2009-2010.

Sales (units)	-	15,000
Fixed Expenses	-	Rs. 34,000
Sales	-	Rs. 1,50,000
Variable costs	-	Rs. 6 per unit

You are required to :

- Find the P/V ratio, break-even point and margin of safety.
- Calculate the revised P/V ratio, break-even point and margin of safety in case of 10% decrease in selling price.

Or

- (b) Assuming that the cost structure and selling prices remain the same in periods I and Periods II, find out:

- P/V Ratio
- Fixed Cost
- BEP for sales
- Profit when sales are Rs. 1,00,000
- Sales required to earn a profit of Rs. 20,000 and
- Margin of safety at a profit of Rs. 15,000.

Period	Sales (Rs.)	Cost (Rs.)	Profit (Rs.)
I	1,20,000	1,11,000	9,000
II	1,40,000	1,27,000	13,000



24. (a) From the following budget data, Prepare cash budget for the months - April, May and June 2000.

Month	Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)	Miscellaneous (Rs.)
February	1,20,000	84,000	10,000	7,000
March	1,30,000	1,00,000	12,000	8,000
April	80,000	1,04,000	8,000	6,000
May	1,16,000	1,06,000	10,000	12,000
June	88,000	80,000	8,000	6,000

Additional Information:

Sales : 20% realized in the month of sales, discount allowed 2%. Balance realized equally in two subsequent months.

Purchases : These are paid in the month following the month of supply.

Wages: 52% Paid in arrears following month.

Miscellaneous expenses: Paid a month in arrears.

Rent: Rs.1,000 per month paid quarterly in advance due in April.

Income Tax: First installment of advance tax Rs.25,000 due on June.

Income from Investments: Rs. 5,000 received quarterly in April, July etc.

Cash in Hand: Rs. 5,000 on 1st April, 2000.

Or

- (b) The following information relates to a flexible budget at 60% capacity. Find out the overhead costs at 50% and 70% capacity and also determine the overhead rates.

Expenses at 60% capacity

Rs.

Variable O/H:

Indirect labour : 10,500

Indirect Materials : 8,400

Semi Variable O/H:

Repairs and Maintenance 7,000

(70% Fixed)

Electricity (50% fixed) 25,200

Fixed O/H:

Office Expenses 70,000

Insurance 4,000

Depreciation 20,000

Estimated Direct Labour Hours 1,20,000

25. (a) The budget labour force for producing 1,000 articles X is

Particulars	Total Standard Hours	Total Standard
30 Men @ 40 p. per hour for 50 hrs.	1,500	600
20 Women @ 30 p. per hour for 30 hrs.	600	180
10 Boys @ 20 p. per hour for 20 hrs.	200	40
	<u>2,300</u>	<u>820</u>



The data and relate work forces are as follows:

Articles Produced 1,000		
Particulars	Total Actual Hours	Total Actual
25 Men @ 45 p. per hour for 50 hrs.	1,250	562.50
30 Women @30 p. per hour for 30 hrs.	900	270
10 Boys @ 20 p. per hour for 20 hrs.	150	30
	<u>2,300</u>	<u>862.50</u>

- Calculate :
- (i) Labour cost variance
 - (ii) Labour rate variance
 - (iii) Labour Mix Variance

Or

- (b) Calculate Prime Cost, Factory Cost, Cost of production, Cost of sales and profit from the following particulars:

	Rs.	Rs.
Direct Materials	1,00,000	Depreciation 500
Direct Wages	30,000	Factory Plant 1,250
Wages of foreman	2,500	Consumable Stores 2,500
Electric Power	500	Manager's Salary 5,000
Lighting :Factory	1,500	Director's Fees 1,250

Page 14 Code No. : 5690

Office	500	Office Stationery	500
Storekeeper's wages	1,000	Telephone Charges	125
Oil and Water	500	Postage and Telegrams	250
Rent: Factory	5,000	Salesmen's Salary	1,250
Office	2,500	Travelling Expenses	500
Repairs and Renewals		Advertising	1,250
Factory Plant	3,500	Warehouse Charges	500
Office Premises	500	Sales	1,89,500
Transfer to Reserves	1,000	Carriage outward	375
Discount on Shares written off	500		
Income Tax	10,000	Dividend	2,000

Page 15 Code No. : 5690

