

MBA - DEGREE EXAMINATIONS, NOV/DEC 2022

First Semester

Master of Business Administration

20MBT101 - ACCOUNTING FOR DECISION MAKING

(Regulations 2020)

Duration: 3 Hours

Max. Marks: 100

PART - A (10 × 2 = 20 Marks)

Answer ALL Questions

- | | <i>Marks,
K-Level, CO</i> |
|--|-------------------------------|
| 1. Ram has assets worth Rs.15,000/- and liabilities worth Rs.4,000/-
Estimate the Capital of Ram. | 2,K2,CO1 |
| 2. Indicate the purpose of Generally Accepted Accounting Principles. | 2,K2,CO1 |
| 3. Recall the reason for forfeiture of shares. | 2,K1,CO2 |
| 4. Identify, when will be a Company permitted to buy back of its shares. | 2,K2,CO2 |
| 5. How does the Comparative Statement differ from Common Size Statement? | 2,K2,CO3 |
| 6. Present, how will you calculate Schedule of Change in Working Capital? | 2,K2,CO3 |
| 7. List out any two benefits of Activity Based Costing. | 2,K1,CO4 |
| 8. Predict, what happens to break-even point and margin of safety when unit selling price of the product decreases. | 2,K2,CO4 |
| 9. How does flexible budget differ from fixed/static budget? | 2,K2,CO5 |
| 10. Compute and evaluate the Material Variances from the data given below.
(i) 16 k.g. of raw materials @ Rs.1 per kg.
(ii) On completion of the unit, it was found that 20 k.g. of raw material costing Rs.1.50 per k.g. has been consumed. | 2,K2,CO5 |

PART - B (5 × 13 = 65 Marks)

Answer ALL Questions

11. a) How does the Financial Accounting differ from Management and Cost Accounting? Explain in detail with suitable examples. 13,K2,CO1
- OR**
- b) "Without accounting concepts and conventions, objective, reliable, consistent and comparable accounts cannot be maintained." Comment. 13,K2,CO1
12. a) (i) Draw the Report Format of Income Statement with all possible content of a Company and critically examine the content. 7,K4,CO2
(ii) Draw the Account Format of Balance Sheet with all possible content of a Company and critically examine the content. 6,K4,CO2

OR

- b) The LG Manufacturing Company Limited was registered with a nominal capital of Rs 6, 00,000 in Equity Shares of Rs 10 each. The following is the list of balances extracted from its books on 31st December 2018:

Particulars	Amount
Wages	84865
Calls-in-arrears	7500
Premises	300000
Plant and Machinery	330000
Interim Dividend Paid on 1 st August, 2018	37500
Stock, 1 st January, 2018	75000
Fixtures	7200
Sundry Debtors	87000
Good Will	25000
Cash in Hank	750
Cash at bank	39900
Purchases	185000
Preliminary Expenses	5000
General Expenses	16835
Freight and Carriage	13115
Salaries	14500
Director's Fees	5725
Bad Debts	2110
Debenture Interest Paid	9000
Subscribed and Fully Called-up Capital	400000
6% Debentures	300000
Profit and Loss Account (Cr. Balance)	14500
Bills Payable	38000
Sundry Creditors	50000
Sales	415000
General Reserve	25000
Bad Debts Reserve 1 st January, 2018	3500

Prepare Trading and Profit and Loss Account and Balance Sheet in proper form after making the following adjustments and examine the results:

- Depreciate Plant and Machinery by 10%.
- Write off Rs 500 from Preliminary Expenses.
- Provide half year's Debenture interest due.
- Leave Bad and Doubtful Debts Reserve at 5% on Sundry Debtors.
- Stock on 31st December 2018, was Rs. 95,000.

13. a) The following is the Balance Sheet of a Company as on 31st March 2020.

Liabilities	Amount	Assets	Amount
Share Capital	2,00,000	Land & Buildings	1,40,000
Profit & Loss A/C	30,000	Plant & Machinery	3,50,000
General Reserve	40,000	Stock	2,00,000
12% Debentures	4,20,000	Sundry Debtors	1,00,000
Sundry Creditors	1,00,000	Bills Receivable	10,000
Bills Payable	50,000	Cash at Bank	40,000
Total	8,40,000	Total	8,40,000

K1 – Remember; K2 – Understand; K3 – Apply; K4 – Analyze; K5 – Evaluate; K6 – Create

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Compute and Comment:

1. Current Ratio
2. Quick Ratio
3. Inventory to Working Capital
4. Debt to Equity Ratio
5. Proprietary Ratio
6. Current Assets to Fixed assets

OR

- b) From the following balances you are required to compute Cash from Operations by adding and subtracting appropriate items from the profit. analyze your results. 13,K4,CO3

Particulars	31-12-2018 (Rs.)	31-12-2019 (Rs.)
Debtors	50,000	47,000
Bills receivable	10,000	12,500
Creditors	20,000	25,000
Bills Payable	8,000	6,000
Outstanding Expenses	1,000	1,200
Prepaid Expenses	800	700
Accrued Income	600	750
Income received in advance	300	250
Profit made during the year	-	1,30,000

14. a) Prepare a Cost Sheet from the following data to find out profit and cost per unit during the month of May 2022. 13,K3,CO4

- Raw Material Consumed - Rs.2, 00,000/-
- Direct Wages - Rs.80, 000/-
- Factory Overheads - Rs.20, 000/-
- Direct Expenses- Rs.50, 000/-
- Office Overheads - 10% on Factory Cost
- Selling Overheads - Rs.5/- per unit
- Units produced - 4000 units
- Selling price - Rs.120/- per unit
- Unit Sold - 3600 units

You are expected to Calculate.

- (i) Prime Cost
- (ii) Factory Cost
- (iii) Office Cost / Total Cost of Production
- (iv) Cost of Goods Sold
- (v) Cost of Sales
- (vi) Profit and Cost per Unit

OR

- b) Mention with reasons the type of costing you will adopt in the following industries. 13,K3,CO4

- (i) Cement manufacturing
- (ii) Soap manufacturing
- (iii) Railways
- (iv) Shipbuilders
- (v) Bicycle manufacturing

15. a) A company is expecting to have Rs.25,000 cash in hand on 1st April 2022 and it requires you to compute an estimate of cash position during the three months April to June 2022 and comment the results. The following information is supplied to you. 13,K4,CO5

(Values in Rs.)

Months	Sales	Purchases	Wages	Expenses
Feb	70,000	40,000	8,000	6,000
March	80,000	50,000	8,000	7,000
April	92,000	52,000	9,000	7,000
May	1,00,000	60,000	10,000	8,000
June	1,20,000	55,000	12,000	9,000

- (i) Period of credit allowed by suppliers is two months
(ii) 25% of sale is for cash and the period of credit allowed to customers for credit sale is one month
(iii) Delay in payment of wages and expenses are one month
(iv) Income tax of Rs. 25,000 is to be paid of June 2022.

OR

- b) Compare and contrast the various types of Variances in details with suitable real time examples. 13,K4,CO5

PART - C (1 × 15 = 15 Marks)

(Compulsory)

16. S & Co. Ltd. has three divisions, each of which makes a different product. The budgeted data for the next year is as follows: 15,K5,CO6

Divisions	A (Rs.)	B (Rs.)	C (Rs.)
Sales	1, 12, 000	56, 000	84, 000
Costs:			
Direct Material	14,000	7,000	14, 000
Direct Labour	5,600	7,000	22,400
Variable Overhead	14,000	7,000	28,000
Fixed Costs	28,000	14,000	28,000
Total Costs	61,600	35,000	92,400

The management of S & Co. Ltd. is considering closing down the Division C. There is no possibility of reducing variable costs. Advice, whether the management should go ahead with the decision to close division C. Showing the proper calculations, evaluate the results.