

Roll No.

MS–102

Accounting for Managers

Master of Business Administration (MBA–16)/
Diploma in Management (MBA–16/DIM–16)

First Semester, Examination, 2017

Time : 3 Hours

Max. Marks : 70

Note : This paper is of **seventy (70)** marks containing **three (03)** sections A, B, and C. Attempt the questions contained in these sections according to the detailed instructions given therein.

Section–A

(Long Answer Type Questions)

Note : Section ‘A’ contains four (04) long answer type questions of fifteen (15) marks each. Learners are required to answer *two* (02) questions only.

1. What are the objectives of financial accounting ? Also explain the parties that are interested in financial statements.
2. Describe the information provided by each of these financial statements : income statement, balance sheet, statement of cash flows.
3. (a) Explain the uses of C-V-P Analysis and its significance to management.
(b) The given ahead miscellaneous information regarding the operations of 2016 has been made available from the records of ACE Corporation :

	₹
Sales	1,00,000
Direct Materials used	40,000
Direct labour	15,000
Fixed Manufacturing Overhead	20,000
Fixed Selling and Administration Expenses	10,000
Gross Profit	20,000
Net Loss	5,000

There are no beginning or ending inventories.

If is required to calculate :

- (a) Variable Selling and Administration Expenses
 - (b) Contribution Margin in rupees
 - (c) Variable factory overhead
 - (d) Break-even point in rupees sales
 - (e) Factory cost of goods sold
4. From the under mentioned particulars of Mr. ABC, prepare the Manufacturing, Trading and Profit & Loss Account for the year ended 31-3-2016 and Balance Sheet as at that date after making the necessary adjustments :

Particulars	Amount (₹)
Capital as on 1-4-2015	25,000

Drawings Account	7,000
Sundry Creditors	8,000
Discount received	702
Allahabad Bank (Cr.)	4,000
Reserve for Bad and Doubtful Debts	600
Purchase Returns	530
Sales	67,500
Sales Returns	86
Stock as at 1-4-2015	9,000
Plant and Machinery (including Machinery for ₹ 5,000 purchased on 1-1-2016	17,000
Furniture	1,500
Buildings	15,000
Purchases	30,230
Sundry Debtors	11,000
Manufacturing Wages	6,000
Manufacturing Expenses	5,000
Carriage Inwards	400
Carriage Outwards	420
Bad Debts	150
Salaries	2,800
Interest and Bank Charges (Dr.)	126
Discount allowed	150

Insurance (Dr.)	300
Bank of Bikaner (Dr.)	140
Cash in hand	30
Stock as at 31-3-2016	7,550

Adjustments :

(I) Provide for :

(a) Interest on capital at 10% p. a. (no interest is to be provided on drawings)

(b) Outstanding Expenses :

(i) Salaries ₹ 100

(ii) Manufacture Wages ₹ 50

(iii) Interest on Bank Loan ₹ 100

(c) Depreciation on :

(i) Machinery at 10% p. a.

(ii) Furniture at 10% p. a.

(iii) Building at $2\frac{1}{2}$ % p. a.

(d) Prepaid expenses :

(i) Insurance ₹ 100

(ii) Salary ₹ 50

(e) Provision for Bad and Doubtful Debts at 10% debtors.

(II) Furniture costing ₹ 500 was sold for ₹ 350 on 1-4-2015 and this amount was later credited to Furniture Account.

Section-B**(Short Answer Type Questions)**

Note : Section 'B' contains eight (08) short answer type questions of five (5) marks each. Learners are required to answer *six* (06) questions only. Answer of these questions must be restricted to two hundred fifty (250) words approximately.

Briefly discuss/Solve any *six* (06) of the following :

1. Accounting Conventions.
2. Distinguish between Trial Balance and Balance Sheet.
3. Accounting and Financial Information System.
4. Responsibility Performance Reporting.
5. Relevance of Opportunity Cost in Decision-Making.
6. Journalize the following transactions :

2016		₹
Jan., 01	Surendra started business with cash	50,000
Jan., 03	Goods purchased from Pratap on credit	2,000
Jan., 05	Good sold to Prem	5,000
Jan., 07	Goods purchased from Sohan for Cash	4,000
Jan., 12	Paid for Wages	500
Jan., 17	Goods sold to Zahir for cash	5,000
Jan., 18	Goods purchased from Ajay	3,000
Jan., 20	Paid for interest	150
Jan., 21	Goods purchased from Charanjit	2,000

Jan., 24	Paid for stationery	300
Jan., 26	Paid to Charanjit in full settlement	1,800
Jan., 28	Amount withdrawn from Bank for personal use	1,500
Jan., 29	Paid into bank	200
Jan., 31	Paid telephone charges	250

7. From the following Balance Sheets for the year 2014 and 2015, find out funds from operations :

	2014 (₹)	2015 (₹)
General reserve	10,000	12,500
Goodwill	5,000	2,500
Provision for depreciation on Plant	5,000	6,000
Preliminary Expenses	3,000	2,000
Profit & Loss Appropriation A/c	15,000	20,000

8. From the following information, prepare a summarized Balance Sheet as at 31st March, 2016 :

Particulars	Amount (in ₹)
Working capital	1,20,000
Reserves and Surplus	80,000
Bank Overdraft	20,000
Fixed assets proprietary ratio	0.75
Current ratio	2.50
Liquid ratio	1.50

Section-C**(Objective Type Questions)**

Note : Section 'C' contains ten (10) objective type questions of one (01) mark each. All the questions of this section are compulsory.

Write True/False :

1. Accounting is the language of the business.
2. Goodwill is current assets.
3. Creating reserve for discount on creditors is not strictly according to the principles of conservatism.
4. Budgets prepared at the single level of activity are referred to as flexible budget.
5. Return on equity funds is determined by dividing EAT by average net worth.
6. Activity-based costing is an attempt to overcome the distortions of overhead allocation that uses volume-based bases, such as machine hours or direct-labour hours.

Indicate the correct -option :

7. The expenditure incurred for overhauling a second-hand motor car for use in the business is a :
 - (a) Capital Expenditure
 - (b) Revenue Expenditure
 - (c) Deferred Revenue Expenditure
 - (d) None of these
8. Advertisement expenses incurred for purchase of goods should be charged to :
 - (a) Trading Account
 - (b) Profit & Loss Account
 - (c) Manufacturing Account
 - (d) None of these

9. is a detailed budget of cash receipts and cash expenditure incorporating both revenue and capital items.
- (a) Cash Budget
 - (b) Capital Expenditure Budget
 - (c) Sales Budget
 - (d) Overhead Budget
10. Balancing of account means
- (a) Total of debit side
 - (b) Total of credit side
 - (c) Difference in Total of debit and credit
 - (d) None of these