

1M6105

Roll No. : \_\_\_\_\_

Total Printed Pages : 7

1M6105

M.B.A. (Sem. I) (Main/Back) Examination, February - 2009

(M-105)

Management Accounting - I

Time : 3 Hours]

[Total Marks : 70

[Min. Passing Marks : 28

*The question Paper is divided in two Sections.*

*Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study / application based one question which is compulsory.*

*All questions are carrying equal marks.*

Use of following supporting material is permitted during examination.

(Mentioned in form No. 205)

1. \_\_\_\_\_ Nil

2. \_\_\_\_\_ Nil

### SECTION - A

- 1 (a) "The structure of Management accounting is created by adopting concepts and techniques from a number of disciplines." Explain. 7
- (b) Explain Money measurement, separate entity and matching concept of Financial Accounting. 7
- 2 (a) What are the guiding principles of Corporate Governance? 4
- (b) Following balances have been extracted from the books of Shri Gagan Shivani on 31<sup>st</sup> March, 2008 :  
Opening stock Rs. 15,000, Purchases Rs. 50,000, Sales Rs. 80,000, Return Inward Rs. 300, Return out ward Rs. 2,000, Debtors Rs. 40,500, Fixed deposit in Bank

1M6105]



1

DU SCHELE

Rs. 10,000, Creditors Rs. 25,000, B/R Rs. 11,400, B/P Rs. 8,000, Interest received on fixed deposit Rs. 900, Drawing Rs. 6,300, Cash Rs. 1,000, Capital Rs. 37,300, Discount (Dr.) Rs. 600, Commission (Cr.) 2,200, Repairs Rs. 800, Wages Rs. 2,400, Salaries for 11 months Rs. 5,500, Advertisements Rs. 1,200, Trademark Rs. 1,500, Building Rs. 10,000, Bad debts Rs. 800, Provision for Bad-debts Rs. 1,900.

Prepare Final Account for the year ending 31<sup>st</sup> March 2008 after taking in to consideration of following adjustments :

- (1) Closing stock on 31<sup>st</sup> March 2008 Rs. 28,400
- (2) Interest accrued on fixed deposits in Bank for 3 months, commission received in advance Rs. 400.
- (3) Further Bad-debts Rs. 500 and maintain provision for bad-debts at 5% on debtors.
- (4) Depreciate Building by 5%.
- (5) ~~Goods worth Rs. 300 were donated for which no entry was made in the books.~~
- (6) Provide for Manager's commission 5% on net profit after charging this commission.

- 3 (a) From the Balance sheets and information given below prepare a statement of sources and uses for the year 2008 :

| Liabilities    | 2007<br>Rs. | 2008<br>Rs. | Assets    | 2007<br>Rs. | 2008<br>Rs. |
|----------------|-------------|-------------|-----------|-------------|-------------|
| Creditors      | 40,000      | 44,000      | Cash      | 10,000      | 7,000       |
| Loan from A    | 25,000      | —           | Debtors   | 30,000      | 50,000      |
| Loan from Bank | 40,000      | 50,000      | Stock     | 35,000      | 25,000      |
| Capital        | 1,25,000    | 1,53,000    | Machinery | 80,000      | 55,000      |
|                |             |             | Building  | 35,000      | 60,000      |
|                |             |             | Land      | 40,000      | 50,000      |
|                | 2,30,000    | 2,47,000    |           | 2,30,000    | 2,47,000    |



During the year 2008 a Machine costing Rs. 10,000 (accumulated depreciation Rs. 3,000) was sold for Rs. 5,000. The provision for depreciation on Jan. 2008 and 31<sup>st</sup> Dec 2008 were Rs. 25,000 and Rs. 40,000 respectively. Net profit for the year 2008 was amounted to Rs. 45,000.

10

(b) Write notes on :

- (i) Recent developments in management accounting
- (ii) Comparative financial statement.

4

- 4 (a) Following informations are obtained from the books of Varun Textiles Limited and you are required to ascertain cash from operation there from for the year 2007-08 :

|                            | 31-3-2007 | 31-3-2008<br>Rs. |
|----------------------------|-----------|------------------|
| Profit and Loss accounts   | 3,20,000  | 4,80,000         |
| Sundry creditors           | 80,000    | 84,000           |
| Sundry debtors             | 1,07,000  | 1,31,400         |
| Prepaid expenses           | 4,800     | 3,900            |
| Accrued Interest           | 3,600     | 3,300            |
| Provision for depreciation | 90,000    | 1,15,000         |
| Fixed assets (at cost)     | 4,50,000  | 5,60,000         |
| Income, tax payable        | 26,000    | 19,000           |

Additional information for the year 2007-08 :

- (i) Interest on debenture paid and debited to profit and loss account for the year was Rs. 36,000 and interest received and credited to profit and loss account was Rs. 7,800.
- (ii) A machine costing Rs. 18,000 (accumulated depreciation Rs. 11,000) was sold for Rs. 13,500.



- (iv) Interim dividend paid Rs. 16,000 and Income tax paid Rs. 76,000.

8

(b) Write short notes on :

- (i) Controllable costs and uncontrollable costs  
(ii) Opportunity cost and sunk cost.

6

- 5 (a) In a factory three products are produced using same inputs. The particulars related to these products are as under :

| Particulars                                | Product |     |     |
|--|---------|-----|-----|
|  | X       | Y   | Z   |
|  | Rs.     | Rs. | Rs. |
| Per unit selling price                     | 250     | 200 | 100 |
| Per unit variable cost                     |         |     |     |
| material @ Rs. 20 per kg.                  | 60      | 50  | 40  |
| Skilled labour @ Rs. 10 per hour           | 40      | 30  | 15  |
| Variable overhead @ Rs. 5 per machine hour | 10      | 5   | 5   |

Fixed cost Rs. 16,000.

State which product is better to be produced and sold if :

- (a) There are normal business conditions  
(b) There is restricted demand of products



- (c) There is restricted on total sales in amount.
- (d) There is shortage of material.
- (e) There is shortage of skilled labour hours.
- (f) There is limited availability of machine hours.

10

- (b) Explain different stages of activity based costing. 4

6 (a) "Budgetary control helps in business progress." Critically examine this statement.

- (b) Calculate :

- (i) Activity ratio
- (ii) Capacity ratio
- (iii) Efficiency ratio and

- (iv) Calender ratio from the following information.

|                          | Budget for<br>July 2008 | Actual for<br>July 2008 |
|--------------------------|-------------------------|-------------------------|
| No. of working days      | 25                      | 27                      |
| Output (in units)        | 600                     | 640                     |
| Hours per unit of output | 3                       | 3.25                    |

4

- (c) A toy manufacture currently earns an average profit of Rs. 3 per toy by selling at Rs. 15 per toy, producing 6000 toys. Computation of current cost of sales per toy is as under :



Direct material Rs. 4, Direct wages Re. 1, Work overhead (50% fixed) Rs. 6, and selling overhead (25% varying) Re. 1.

During the coming year following increases are anticipated :

- (i) Fixed cost will go up by 10%
- (ii) Rates of direct labour will increase by 20%
- (iii) Rates of direct material will increase by 10%
- (iv) Selling price cannot be increased if sales in units will be maintained at current level of sales.

Under the circumstances he obtains an unexpected order for 2000 toys. What Minimum price will you recommend for accepting the order to ensure the overall profits of Rs. 18,050 to the toy manufacture. 6

## SECTION - B

- 7 From the information given below prepare estimate of working capital requirement at the end of the year 2008 :

Budgeted sales for the year 2008 ..... Rs. 9,00,000

Estimated cash sales and credit sales ratio ..... 1 : 4

Debtors velocity ..... 2 months

Estimated gross profit ..... 20% of sales

Operating ratio ..... 90%

Stock velocity ..... 8



|  |         |
|--|---------|
| Proprietary funds to fixed assets .....        | 0.80    |
| Time lag in payment of operating expenses..... | 1 month |
| Liquidity ratio .....                          | 1.8     |
| Net profit on proprietary funds.....           | 15%     |

Closing stock level is expected to increase by 40% over opening stock.