

Reg. No. :

Question Paper Code : 10194

M.B.A. DEGREE EXAMINATIONS, APRIL/MAY 2023.

First Semester

BA 4104 — ACCOUNTING FOR DECISION MAKING

(Regulations 2021)

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. What is double-entry system?
2. Differentiate Financial and Management Accounting.
3. List out the techniques of financial statement analysis.
4. How would you interpret Dupont ratio?
5. What is Target costing?
6. Distinguish direct and indirect costs.
7. The fixed cost is Rs. 400,000, variable cost per unit is Rs. 10 and selling price per unit is Rs. 20, calculate the BEP in units.
8. What is Margin of safety?
9. A company has an expected sales of 2,600 units. There are 1,400 units of opening stock while the closing stock is planned to be 1,800 units. What production is needed to satisfy the expected sales?
10. Mention the uses of variance analysis.

PART B — (5 × 13 = 65 marks)

11. (a) Explain the various accounting concepts and conventions.

Or

- (b) Discuss the functions of accounting. In what ways accounting information is useful to the various stakeholders of a business enterprise?

12. (a) The balance sheet of M/s. Ganesh Enterprise is given below.

Balance Sheet as on 31.12.2020			
liabilities	Rs.	Assets	Rs.
Equity share capital	1,00,000	Land and Buildings	75,000
Reserve Fund	50,000	Plant and Machinery	80,000
Profit and Loss A/c	20,000	Stock-in-trade	30,000
10% Debentures	50,000	Sundry debtors	50,000
Sundry creditors	30,000	Bills receivable	20,000
Bills payable	15,000	Cash in hand	10,000
	<u>2,65,000</u>		<u>2,65,000</u>

Calculate the following Solvency ratios.

- (i) Current ratio
- (ii) Liquid ratio
- (iii) Debt-equity ratio
- (iv) Fixed assets ratio

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(b) From the following Balance Sheets of M/s. Shilpa and Co. as on 31.12.2021 and 31.12.2022, prepare a Cash Flow Statement.

Balance Sheets					
Liabilities	2021	2022	Assets	2021	2022
Share Capital	1,00,000	1,50,000	Fixed Assets	1,00,000	1,50,000
Profit and Loss A/C	50,000	80,000	Goodwill	50,000	40,000
General Reserve	30,000	40,000	Stock	30,000	80,000
6% Debentures	50,000	60,000	Debtors	50,000	80,000
Creditors	30,000	40,000	Bills Receivable	30,000	20,000
Outstanding Expenses	10,000	15,000	Bank	10,000	15,000
	<u>2,70,000</u>	<u>3,85,000</u>		<u>2,70,000</u>	<u>3,85,000</u>

13. (a) Describe the various methods of cost accounting.

Or

- (b) What is a cost sheet? Present the specimen of a cost sheet and explain the different items included in it.

14. (a) The sales turnover and profit during the two periods are given below:

Period I: Sales = Rs. 20 lakhs; Profit = Rs. 2 lakhs

Period II: Sales = Rs.30 lakhs; Profit = Rs. 4 lakhs

Calculate the following:

- (i) P/V Ratio
- (ii) The sales required to earn a profit of Rs. 5 lakhs
- (iii) The profit when sales are Rs. 10 lakhs

Or

- (b) Metro Industries specializes in the manufacture of small-capacity motors. The cost structure of a motor is as under:

Material = Rs. 50

Labour = Rs. 80

Variable overhead = 75% of labour cost

Fixed overheads of the company amount to Rs. 2.40 lakhs per annum.

The sale price of the motor is Rs. 230 each.

- (i) Determine the number of motors that have to be manufactured and sold in a year in order to break even.
- (ii) How many motors have to be made and sold to make a profit of Rs. 1 lakh per year?
- (iii) If the sale price is reduced by Rs. 15 each, how many motors have to be sold to break even?

15. (a) The cost of production at 60% capacity is given below.

	Rs.
Variable expenses:	
Direct materials	1,80,000
Direct wages	1,20,000
Direct expenses	1,00,000
Semi-variable expenses:	
Repairs and maintenance	75,000
Power	60,000
Indirect material	90,000
Indirect labour	45,000
Fixed expenses:	
Establishment	90,000
Depreciation	30,000
Selling and Distribution expenses	45,000
Insurance	12,000

Assume that the fixed expenses remain constant for all levels of production. Semi-variable expenses remain constant between 60% to 80% of capacity. Estimated sales at various levels of capacity are:

At 75% capacity = Rs. 12,00,000

At 90% capacity Rs. 14,00,000

At 100% capacity = Rs. 15,00,000

Prepare a flexible budget and forecast the profits at 75% and 90% capacity.

Or

(b) From the following information, compute material cost variance, material price variance and material usage variance for an output of 200 units.

Standard quantity = 3 kg. per unit of output

Standard price = Rs. 2 per kg.

Actual quantity consumed = 550 kg.

Actual price = Rs. 3 per kg.

PART C — (1 × 15 = 15 marks)

16. (a) The following balances are drawn from the books of M/s. Arvind Mills as on 31.12.2021.

Account	Amount (Rs.)	Account	Amount (Rs.)
Land	1,00,000	Sales	3,00,000
Building	2,00,000	Purchases	1,75,000
Sales returns	10,000	Stock (1.1.2021)	25,000
Purchases returns	5,000	Debtors	50,000
Bank overdraft	15,000	Cash in hand	5,000
Creditors	20,000	Salaries	10,000
Wages	12,000	Goodwill	15,000
General expenses	5,000	Selling expenses	12,000
Bad debts	1,000	Insurance	1,000
Capital	2,81,000		

Adjustments:

- (i) Closing stock is Rs. 30,000.
- (ii) Provide for depreciation @ 10% on buildings.
- (iii) Write off further bad debts Rs. 1,000.
- (iv) Salaries yet to be paid Rs. 3,000.

You are required to prepare a trading, profit and loss account and a Balance Sheet of M/s. Arvind Mills.

Or

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- (b) The Balance Sheets of M/s. Rakesh and Co. is presented below for the years 2020 and 2021.

Balance Sheets of M/s. Rakesh and Co.

Liabilities	2020		2021		Assets	Rs. in Thousands	
	2020	2021	2020	2021		2020	2021
Share Capital	200	250	Fixed Assets		100	120	
Reserves	80	100	Investments		50	60	
Debentures	100	80	Stock		65	75	
Creditors	70	95	Debtors		80	90	
Bills payable	50	75	Bills Receivable		95	105	
			Cash at bank		110	150	
	<u>500</u>	<u>600</u>			<u>500</u>	<u>600</u>	

Analyse the above balance sheets vertically and horizontally by preparing the Comparative Balance Sheet and Commonsize Balance Sheets. Interpret the results.

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