

FIRST SEMESTER M.B.A. DEGREE EXAMINATION, DECEMBER 2015

BUS 1C 09—ACCOUNTING FOR MANAGERS

(2013 Admission onwards)

Time : Three Hours

Maximum : 36 Weightage

Section A

*Answer all the questions.
Each question carries 1 weightage.*

1. How do you classify business transactions ?
2. Enumerate the books of accounts.
3. What do you mean by liquidity ratios ?
4. What are turnover ratios ?
5. What is operating cycle ?
6. Write any two limitations of cash flow statement ?

(6 × 1 = 6 weightage)

Section B

*Answer any six questions.
Each question carries 3 weightage.*

7. Explain the various international accounting standards and mention the new developments in the same.
8. Compare and contrast cash flow and fund flow statements.
9. Journalise the following transactions :

June 2014	
1	Mr. Jay invested in business cash Rs. 1,00,000, Goods Rs. 80,000, Building Rs. 5,00,000, Bank Balance (Dr.) 1,70,000.
1	Purchased goods worth Rs. 1,40,000 on credit from Mr. Raghu.
5	Sold goods worth Rs. 80,000 to Anu on credit and all him tr. disc. 2 %.
6	Goods costing Rs. 5,000 were donated to blind organisation.
8	Received free samples of Rs. 2,500.
10	Paid rent Rs. 20,000, salaries Rs. 9,500, insurance premium Rs. 2,500.
12	Received by cheque from Anu after allowing 2 % cash disc.
14	Paid by cheque to Mr. Raghu after getting 2 % cash disc.
21	Drew for personal use cash of Rs. 20,000 and goods of Rs. 5,000.
24	Mr. Raghu informed that cheque was dishonoured.

Turn over.

10. Write a note on functions of accounting.
11. Given the following information, compute the value of cost of goods sold for Raj Traders Current liabilities Rs. 2,40,000 :—
- Quick ratio $2x$
Inventory turnover $4x$
Current ratio $2.2x$.
12. Discuss the meaning and nature of Profitability Ratios. Explain their advantages and role in business management.
13. Calculate break-even point when the unit selling price is Rs. 60 per blanket selling expenses of Rs. 6 initial purchase of blankets from wholesaler at Rs. 40 and fixed costs of Rs. 1,200 ?
14. Explain how would you prepare the statement of changes in working capital?

(6 × 3 = 18 weightage)

Section C

Answer any two questions.

Each question carries 6 weightage.

15. Distinguish between accounting concepts and conventions. Explain briefly any five accounting concepts.
16. ABC Ltd. currently makes all sales on credit and offers no cash discount. It is considering a 2 per cent discount for payment within 10 days (terms offered are 2/10 net 30). The firm's current average collection period is 45 days, sales are 10,000 units, selling price is Rs. 100 per unit and variable cost per unit is Rs. 50 ; its existing total fixed costs are Rs. 2,00,000 which are likely to remain unchanged with production/sales volume of 12,000 units. It is expected that the offer of cash discount will result in an increase in sales to 11,000 units and the average collection period will be 30 days as a result. However, due to increased sales, increased working capital required will be Rs. 20,000 (without taking into account the effect of debtors). Assuming that 50 per cent of the total sales will be on cash discount and 20 per cent is the required return on investment, should the proposed discount be offered ?

17. From the following Information, prepare Cash Flow Statement for the year ended 3rd March, 2014 :—

Balance Sheet as on

<i>Liabilities</i>	31-03-13	31-03-14
	Rs.	Rs.
Equity Capital	7,00,000	7,00,000
Reserve	3,70,000	5,20,500
Sundry Creditors	1,60,000	1,70,500
Outstanding Wages	10,500	20,000
Outstanding Expenses	50,500	10,500
Total	12,91,000	14,21,500

<i>Assets</i>	31-03-13	31-03-14
	Rs.	Rs.
Fixed Assets	4,50,000	4,30,500
Cash	3,70,500	4,80,500
Debtors	2,10,500	2,00,000
Stock	2,40,500	2,90,000
Prepaid Rent	10,500	20,500
Total	12,82,000	14,21,500

- (a) Accumulated depreciation was Rs. 80,000 for the year ended 31st March 2013 and Rs. 1,00,000 for the year ended 31st March 2014.
- (b) During the year 2013-14, fixed assets of book value Rs. 90,000 have been sold for Rs. 1,00,000.

(2 × 6 = 12 weightage)