



MB 06

**I Semester M.B.A. Technology Management, Health Service Management,
Financial Service Management Examination, Dec. 2009/Jan. 2010**

ACCOUNTING FOR MANAGEMENT

Time : 3 Hours

Max. Marks : 80

SECTION – A

1. Answer **all** sub-questions. **Each** question carries **two** marks : **(2×5=10)**
- a) What is profit volume ratio ?
 - b) Give two examples for inflow of cash.
 - c) Define operating cycle.
 - d) What is absorption costing ?
 - e) What is inflation accounting ?

SECTION – B

- Answer **any five** questions. **Each** question carries **seven** marks : **(7×5=35)**
- 2. How does ratio analysis help management in control ?
 - 3. Explain the significance and advantages of various budgets.
 - 4. What are the factors that influence working capital of a firm ?
 - 5. Distinguish between management accounting and financial accounting.
 - 6. Explain the various methods of depreciation.
 - 7. From the following information, compute funds from operations :

Profit and Loss Account			
	Rs.		Rs.
To Depreciation	1,00,000	By Gross profit	2,00,000
” Loss on sale of buildings	50,000	” Gain on sale of plant	20,000
” G/W written off	20,000		
” Discount allowed	10,000		
” Net profit	40,000		
	2,20,000		2,20,000

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8. Raju Brothers manufactures a product 'X'. It is estimated that for each ton of materials consumed, 100 articles should be produced. The standard price per ton of material is Rs. 10. During the first week of January 2006, 100 tons of materials were issued to production, the price of which was Rs. 10.50 per ton. Production during the week was 10,200 articles. Compute the variances.

SECTION – C

Answer **any two** questions. **Each** question carries **10** marks. **(2×10=20)**

9. Discuss the utility and significance of financial statements to various parties interested in the business concern.
10. What is responsibility accounting ? Explain the merits and demerits of responsibility accounting.
11. The following information are extracted from M & M Co. for the year 2008 :

	Rs.
Sales	10,00,000
Direct material	3,30,000
Direct wages	2,25,000
Manufacturing expenses (40% fixed)	2,50,000
Administration overheads (50% fixed)	1,00,000
Selling expenses (100% variable)	45,000

Required :

- a) Marginal cost statement b) Profit volume ratio
 c) Margin of safety d) Break-even point
 e) Sales required to earn a profit of Rs. 1,00,000.
12. Selected financial ratios for XYZ Ltd. are as follows :
- | | 2006 | 2007 | 2008 |
|--------------------------------|---------|---------|---------|
| Current ratio | 4.2 | 2.6 | 1.8 |
| Acid test ratio | 2.1 | 1.0 | 0.6 |
| Debt to total assets | 23% | 33% | 47% |
| Inventory turn over (in times) | 8.7 | 5.4 | 3.5 |
| Average collection period | 33 days | 36 days | 49 days |
| Net profit margin | 3.8% | 2.5% | 1.4% |
| ROI | 12.1% | 6.5% | 2.8% |
| ROE | 15.7% | 9.7% | 5.4% |
- a) Why did return on investment decline ?
 b) Was the increase in debt a result of greater current liabilities or of greater long term debt ? Explain.



SECTION – D

Answer **any one** question carrying **15** marks :

(1×15=15)

13. Discuss in detail the various techniques of analysis and interpretation of financial statements.

14. Following are the Balance Sheets of Eshwar Ltd. as on 31-3-2008 and 31-3-2009 :

	2008	2009		2008	2009
	Rs.	Rs.		Rs.	Rs.
Equity capital	15,00,000	15,00,000	Fixed assets	23,36,960	24,60,500
Preference capital	3,00,000	4,00,000	Current assets	9,60,540	7,91,800
Share premium	30,000	40,000	Debenture discount	30,000	25,000
Debentures	5,00,000	5,00,000			
Current liabilities	6,20,000	4,40,000			
Provision for deprn.	1,80,000	1,95,000			
Provision for doubtful debts	6,000	5,000			
Profit and loss A/c.	1,91,500	1,97,300			
Total	33,27,500	32,77,300	Total	33,27,500	32,77,300

Other information :

- 1) During the current year, company has paid dividend of Rs. 1,50,000 relating to the previous year.
- 2) Rs. 1,00,000 preference share capital was issued during the current year at a premium of 10%.
- 3) During the year, machinery costing Rs. 2,00,000 (accumulated depreciation Rs. 60,000) was sold for Rs. 1,50,000.

You are required to prepare :

- a) A statement showing changes in the working capital.
 - b) A funds flow statement.
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