

END TERM EXAMINATION

FIRST SEMESTER [MBA] NOVEMBER-DECEMBER 2017

Paper Code: MS-107

Subject: Accounting for Management

MS (FM)-107

MBA (FM)-107

Time: 3 Hours

Maximum Marks: 75

Note: Attempt any five questions. All questions carry equal marks.

Q1 What are the various types of errors which are committed in keeping accounting records? State the procedure of identification and their subsequent rectification. Give examples.

Q2 The following are the extracts from the trial balance of a firm:

Trial Balance
As on 31 December 2008

| Date | Particulars | Dr. (Rs.) | Cr. (Rs.) |
|------|------------------------|-----------|-----------|
| | Sundry Debtors | 50,000 | |
| | Provision of Bad Debts | | 5,000 |
| | Provision for Discount | | 2,000 |
| | Bad Debts | 3,000 | |
| | Discount | 1,000 | |

Additional Information:

- a) Additional Bad Debts Rs. 1,000
- b) Additional Discount Rs. 500
- c) Create a provision for bad debts at 10% on debtors
- d) Create a provision for discount at 5% on debtors

Pass the necessary journal entries, prepare provision for bad debts account and provision for discount on debtors account and show how the different items will appear in the firm's final accounts?

Q3 A contract account is debited with the cost of material, labour, overhead and plant at the end of the year and is credited with material at site Rs. 10,000 plant at site Rs. 40,000 after charging depreciation @20%. Net cost for the contract is Rs. 1,50,000 which is debited in Contract a/c in the proportion of 3:2:1 for material, labour and overheads respectively. Contract price is Rs. 2,50,000 and architect has certified 4/5 of the work as completed 15 days before end of the year. 80% of the certification has been received in cash. The accountant informs you that 2/3 of the profit on the basis of cash has been credited and transferred to Profit & Loss Account which is Rs. 40,000. From the given information prepare Contract Account showing the cost of work done but not yet certified.

Q4 A company manufactures 5,000 units of a product per month. The cost of placing an order is Rs. 100. The purchase price of the raw material is Rs. 10 per kg. The re-order period is 4 to 8 weeks. The consumption of raw materials varies from 100 kg to 450 kg per week, the average consumption being 275 kg. The carrying cost of inventory is 20% per annum. You are required to calculate-(i) Re-order quantity, (ii) Re-order Level, (iii) Maximum Level, (iv) Minimum Level, (v) Average Stock Level.

P.T.O.

Q5 What is Budgeting? How budgetary control does helps in envisaging cost control in an organization? What are the major limitations of budgetary control?

Q6 The standard mix to produce one unit of product is as follows:

| | | |
|------------|-----------------------------|---------|
| Material A | 60 units @ Rs. 1.5 per unit | = 900 |
| Material B | 80 units @ Rs. 20 per unit | = 1,600 |
| Material C | 100 units @ Rs. 25 per unit | = 2,500 |
| | 240 units | = 5,000 |

During the month of April, 10 units were actually produced and consumption was as follows:

| | | |
|------------|--------------------------------|----------|
| Material A | 640 units @ Rs. 17.50 per unit | = 11,200 |
| Material B | 950 units @ Rs. 18.00 per unit | = 17,100 |
| Material C | 870 units @ Rs. 27.50 per unit | = 23,925 |
| | 2,460 units | 52,225 |

Calculate all material variances and give your comments on them.

Q7 A company wants to buy a new machine to replace one which is having frequent break down. It received offers for two models M1 and M2. Further details regarding these models are given below:

| | M1 | M2 |
|--|----------|----------|
| Installed capacity (Units) | 10,000 | 10,000 |
| Fixed overhead per annum (Rs.) | 2,40,000 | 1,00,000 |
| Estimated profit at the above capacity (Rs.) | 1,60,000 | 1,00,000 |

The product manufactured using this type of machine (M1 and M2) is sold at Rs. 100 per unit. You are required to determine:

- Break-even level of sales for each model.
- The level of sales at which both the models will earn the same profit.
- The model suitable for different level of demand for the product.

Q8 Write short notes on following:

- Economic value added
- Life cycle costing
- Balance score card
- Uniform costing.
- Activity Based Costing
