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Sr. No. of Question Paper : 6075

Your Roll No.....

Unique Paper Code : 12481102

Name of the Paper : Accounting for Managers

Name of the Course : B.A. (Hons) Business Economics, 2016 (CBCS)

Semester : I

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Question number 1 is compulsory.
3. Attempt any four questions from the rest.
4. Use of simple calculator is allowed.

1. Write short notes on any three of the following :

- (a) Convention of conservatism
- (b) Business Entity Concept
- (c) Advantages of double entry system of Accounting
- (d) Accounting Standard -1

(3×5=15)

2. From the following Trial Balance of Tejas on 31st December, 2015, prepare Trading and Profit and Loss Account for the year ending 31st December, 2015 and Balance Sheet as on that date after giving effect to the under mentioned adjustments :

P.T.O.

Debit Balances	Amount (Rs.)	Credit Balances	Amount (Rs.)
Stock	46,800	Capital	1,08,090
Sales Return	8,600	Sales	2,89,600
Purchases	2,43,100	Purchase Returns	5,800
Carriage inwards	18,600	Sundry Creditors	14,800
Rent and tax	5,700	6% Bank Loan	20,000
Wages and salaries	9,300	Income from Investments	250
Sundry Debtors	24,000	Discount Received	3,690
Interest on bank loan	900		
Printing and Advertisement	14,600		
Cash at Bank	8,200		
Investment	5,000		
Furniture and Fittings	1,800		
Discount Payable	7,340		
General Expenses	3,610		
Insurance	800		
Travelling Expenses	2,630		
Stationery	870		
Cash in Hand	380		
Land and Building	30,000		
Drawings	10,000		
	4,42,230		4,42,230

Adjustments :

- (a) Closing stock was Rs. 78,600
- (b) 50% of the expenses of printing and advertisement are to be carried forward to the next year.
- (c) Charge depreciation @ 10% on Furniture and 2.5% on Land and Buildings.
- (d) Create bad-debt reserve @ 5% and provision for discount on debtors as well as creditors @ 2%.
- (e) Unexpired insurance Rs. 200.
- (f) Outstanding salary Rs. 500 and Outstanding carriage inwards Rs. 100.
- (15)
3. (a) Discuss in detail the various elements of costs relevant for decision making. (5)
- (b) W Ltd. produces two types of pens- S and R and provides you with the following information :

	S	R
	(in Rs.)	(in Rs.)
Direct Material	2 per unit	1 per unit
Direct Wages	1 per unit	.50 per unit
Selling and Distribution Overheads	1 per unit	1 per unit
Number of Pens produced	60,000	1,20,000
Number of Pens sold	50,000	1,00,000
Production Overhead	100% of Direct wages	
Administrative Overhead	25% of Works Cost	

P.T.O.

Prepare a cost sheet from the above information. Assuming a profit margin of 20% on selling price, what should be the selling price of one unit of the finished product. (10)

4. (a) Explain the treatment of intangible assets and proposed dividend for the preparation of Cash Flow Statement. (5)

(b) The following is the balance sheet of S Ltd as at 31 March 2015.

Liabilities and Equity	Amount (Rs)	Assets	Amount (Rs)
Share Capital	2,00,000	Land and building	1,40,000
Profit and loss account	30,000	Plant and machinery	3,50,000
General reserve	40,000	Stock-in-trade	2,00,000
12% Debentures	4,20,000	Sundry debtors	1,00,000
Sundry creditors	1,00,000	Bills receivable	10,000
Bills payable	50,000	Cash at bank	40,000
	8,40,000		8,40,000

Calculate the following ratios :

- (i) Current ratio
 - (ii) Quick ratio
 - (iii) Inventory to working capital ratio
 - (iv) Debt to equity ratio
 - (v) Capital Gearing ratio (10)
5. (a) What are the relevant considerations involved in the cost benefit analysis of make or buy decision ? (5)

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- (b) Prepare Flexible Budget for the production at 80 percent and 100 percent capacity on the basis of the following information :

Production at 50% capacity	5000 units	
Raw Materials	Rs. 80 per unit	
Direct Labour	Rs. 50 per unit	
Direct Expenses	Rs. 15 per unit	
Factory Expenses	Rs. 80,000 (50% Fixed)	
Administrative Expenses	Rs. 1,60,000 (60% variable)	(10)

6. (a) If the Margin of Safety is Rs. 2,40,000(40% of sales) and P/V Ratio is 30%, calculate :

- (i) Break – Even Point
- (ii) Amount of profit on sales of Rs. 9,00,000 (5)

- (b) The following is an extract of Income Statement of X Ltd.

	(in Rs.)
Sales (80,000 units @15 each)	12,00,000
Variable Cost	
Materials	2,40,000
Labour	3,20,000
Overheads	1,60,000
Fixed Cost	3,20,000

The company has a production capacity of 1,00,000 units. The company has received an export order of 20,000 units at a net price of Rs. 10 per unit.

Advise the company on whether it should accept the export order or not and support your answer with detailed calculations. (5)

P.T.O.

- (c) M Ltd. produces and markets industrial containers. Due to tough competition, it decides to reduce the selling price of its finished goods. If the present level of profit is to be maintained, determine the number of units that need to be sold if the proposed reduction in selling price is 5% or 10% given the following additional information :

Present Sales (30,000 units)	Rs. 3,00,000
Variable Cost (30,000 units)	Rs. 1,80,000
Fixed Cost	Rs. 70,000

(5)

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