[This question paper contains 8 printed pages.]

Your Roll No..............

Sr. No. of Question Paper : **2080**

Unique Paper Code : 12481102

Name of the Paper : Accounting for Managers

Name of the Course : **B.A. (Hons) Business Economics, 2018 (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. Attempt any **Five** questions.
3. Use of simple calculator is allowed.

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

(a) IFRS vs GAAP

(b) Convention of Conservatism

(c) Qualitative Characteristics of Accounting Information

(d) Concept of Revenue Recognition

(e) Book Keeping vs Accounting (5,5,5)

P.T.O

2. The following is the Trial Balance of a trader as o
31-03-2018 :

Accounts	Debit	Credit
Stock on 1-4-2017	93,600	
Purchases and Sales	6,43,400	7,79,200
Capital		1,73,380
Return Inwards	17,200	
Carriage Inwards	37,200	
Rent and Rates	11,400	
Salaries	18,600	
Interest on Bank Loan	2,400	
Return Outwards		11,600
Debtors and Creditors	48,000	29,600
Advertisement	30,000	
Cash at Bank	6,000	
Discount Allowed	3,600	
Furniture	10,000	
8% Bank Loan on 1-4-2017		40,000
General Expenses	22,900	
Insurance	1,800	
Postage and Telegram	4,660	
Miscellaneous Income		1,100
Cash in Hand	760	
Travelling Expenses	1,740	
Drawings	80,000	
Computer	10,000	
Discount Received		8,380
	10,43,260	10,43,260

Additional Information :

(i) Stock on 31-03-2018 was valued at Rs. 1,09,000.

(ii) Sales include Rs. 5,000 for goods sold on approval basis. Goods are sold at 25% profit on cost. Approval was not received till 31-03-2018.

(iii) Write off bad debts of Rs. 600. Create a provision for doubtful debts @5% on debtors.

(iv) Advertisement expenditure relates to launch of a new product. This amount is to be written off over a period of 5 years.

(v) Depreciate Furniture @10% p.a. and Computer @20% p.a.

(vi) A new machinery was purchased on credit and installed on 31-03-2018, costing Rs. 15,000. No entry for the same has yet been made in the books.

Prepare Trading Account, Profit and Loss Account for the year ending 31-03-2018 and Balance Sheet as on that date after making above adjustments. (15)

(a) Explain the difference between cost reduction and cost control.

P.T.O.

(b) The following extract of costing information relates to commodity A for the year ending 31-03-2018:

Particulars	Amount
Purchase of Raw Material	60,000
Direct Wages	50,000
Rent, rates and Insurance	20,000
Carriage Inward	1,000
Stock as on 1-4-2017:	
Raw Materials	10,000
Finished Products – 2,000 units	8,000
Stock as on 31-03-2018	
Raw Materials	11,000
Finished Products – 4,000 units	……..
Work-in-progress as on 1-4-2017	2,400
Work-in-progress as on 31-03-2018	8,000
Cost of factory Supervision	4,000
Sale of Finished Products	1,50,000

Advertising, discount allowed and selling costs totalred Rs. 0.40 per unit sold. 32,000 units of the commodity were produced during the period. Prepare a Cost Sheet to ascertain:

(i) Net Profit

(ii) Selling Price per unit (5,10)

4. (a) Calculate Return on Investment and Debt to Equity Ratio from the following information :

Net Profit After Interest and Tax	Rs.3,00,000
10% Debentures	Rs.5,00,000
Tax Rate	40%
Capital Employed	Rs.40,00,000

(b) The Balance Sheet of Sunrise Ltd. As on 31-03-2017 and 31-03-2018 is given below :

Liabilities	2017 (Rs in Lakhs)	2018 (Rs in Lakhs)	Assets	2017 (Rs in Lakhs)	2018 (Rs in Lakhs)
Equity Share Capital	600	800	Fixed Assets	800	1,000
General Reserve	50	84	Investments	160	200
Profit & Loss Account	80	96	Stock	195	225
Security Premium	15	35	Sundry Debtors	84	70
10% Debentures	120	20	Prepaid Expenses	12	15
Sundry Creditors	80	95	Cash at Bank	......	28
Bills Payable	35	30	Preliminary Expenses	15	5
Bank Overdraft	10	......			
Provision for Tax	32	40			
Proposed Dividend	78	100			
Accumulated Depreciation	166	243			
	1,266	1,543		1,266	1,543

Additional Information :

(i) During the year ended 31-03-2018, an interim dividend of Rs. 30 lakhs was paid.

(ii) The company also declared final dividend of 20% which was payable on all shares including those issued during the current year.

(iii) A Machine costing Rs. 80 lakhs (Accumulated Depreciation Rs. 45 lakhs) was sold for Rs. 55 lakhs.

(iv) Interest received on investments during the year 2017-18 amounted to Rs. 15 lakhs.

(v) Debentures were redeemed at par at the end of the year.

Prepare Cash Flow Statement as per AS-3 (Revised). (5,10)

5. (a) Explain the difference between Traditional Budgeting and Zero-Base Budgeting.

(b) A company can produce 4,000 units of a product at 100% capacity. The following information is available from its records :

Particulars	April	May
Units Produced	2,800 Units	3,600 Units
	Rs.	Rs.
Power	1,800	2,000
Repairs and Maintenance	500	560
Indirect Labour	700	900
Consumable Stores	1,400	1,800
Inspection	200	240
Depreciation	1,400	1,400
Salaries	1,000	1,000

Direct material cost per unit is Re. 1 and direct wages per hour is Rs. 4. Rate of production per hour is 10 units.

Compute the cost of production at 100%, 80% and 60% capacity levels showing variable, fixed and semi-variable items under the flexible budget.

(5,10)

6. (a) A company has a contribution/sales ratio of 40%. It maintains a margin of safety of 20%. If its annual fixed cost amount to Rs. 24 Lakhs, calculate its :

(i) Break Even Sales

(ii) Margin of Safety

(iii) Total Sales

(iv) Total Variable cost

(v) Profit

(b) The manager of ABC Ltd. provides you with the following information :

	Rs.	Rs.
Sales		4,00,000
Costs:		
Variable (60% of Sales)	2,40,000	
Fixed	80,000	(3,20,000)
Profit before Tax		80,000
Income Tax (60%)		(48,000)
Net Profit		32,000

The ABC Ltd. is thinking of expanding the plant. The fixed costs with plant expansion will be increased by Rs. 40,000. The company also wants to earn additional income after tax of Rs. 3,200 on investment.

On the basis of computations, give your opinion on plant expansion.

(c) XYZ Ltd. produces a variety of products each having a number of component parts. Product B takes 5 hours to produce on a particular machine, which is working at full capacity. B has a selling price of Rs. 100 and variable cost of Rs. 60 per unit. A component part X-100 could be made on the same machine in two hours at a variable cost of Rs. 10 per unit. The supplier's price for the component is Rs. 25 per unit.

Advise whether the company should buy the component X-100. (5,5,5)

(700)