

Roll No.

11445

**MBA 2 Year 1st Semester (Old)
Examination–December, 2011**

ACCOUNTING FOR MANAGERS

Paper 2105

Time : 3 hours

Max. Marks : 70

Before answering the questions, candidates should ensure that they have been supplied the correct and complete question paper. No complaint in this regard will be entertained after the examination.

Note : Attempt **four** questions from Section A by selecting one question from each Unit. Section B is compulsory. All questions carry equal marks.

SECTION - A

UNIT - I

1. What is the significance of fundamental accounting concepts for financial statements ?
2. What is depreciation ? Outline its significance in determining profitability.

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What types of information needs to be disclosed in the financial statement in respect of depreciation.

UNIT - II

3. Explain how return on assets :
- (a) could decline, given an increase in net profit margin.
 - (b) only current ratio is considered to be more indicative of the short term debt-paying ability as compared to working capital.
4. Discuss briefly the classification of activities as prescribed in AS-3 for preparation of Cash Flow Statement and give three examples of each class of activities.

UNIT - III

5. During times of inflation, which of the inventory costing methods given below would give the most realistic valuation of inventory ? Which method would give least realistic valuation of inventory ? Explain :
- (a) LIFO
 - (b) FIFO
 - (c) Average.

6. What is Activity Based Costing ? Explain how the ABC system is superior to traditional costing system. What are the steps required in installing the ABC system ?

UNIT - IV

7. What do you mean by Functional Budgets ? Explain some of the important and commonly used functional budgets ?
8. The following information is available for the month of November 2011 :

Material purchased 24,000 kg (Rs 1.05,600)

Material consumed 22,800 kg

Actual wage paid for
5,940 hours Rs. 29,700

Unit purchased 2,160 units

Standard rates and prices are :

Direct Material Rs. 4 per unit

Direct labour Rs. 4 per hour

Standard Input 10 kg for one unit

Standard required 2.5 hour per unit

Calculate material and labour variance for the month of Nov. 2011.

SECTION - B

CASE STUDY

9. Normal capacity of a company is 2,40,000 machine hours, but at present the company utilizes 40% of its capacity. In this situation the monthly performance of the company is as follows :

| | Rs. in lakhs |
|---|--------------|
| Sales | 30.00 |
| Consumption of materials | 15.00 |
| wages (including Rs. 1 lakh) for security guards | 6.00 |
| Factory overheads (60% fixed) | 5.00 |
| Other overheads (10% variable) | 3.50 |
| Net | .50 |

The following two alternative proposals are under consideration of the company

- The factory will utilize about 50% of the unutilized capacity by accepting the contract work, by charging Rs. 3.50 per machine hour.
- Discontinue the own production completely and lease out the entire plant facility on a monthly rental of Rs. 6.85 lakhs.

You are required to comment on the action that is to be taken.