MBA. IB.II. /04.13.395

MBA DEGREE (INTERNATIONAL BUSINESS) II SEMESTER EXAMINATION APRIL 2013

SMI 2201 ACCOUNTING FOR MANAGERIAL DECISION

(2009 & 2011 Admissions)

Time: 3 Hours

Maximum Marks: 50

(5 ×10 = 50)

I. A. Define management accounting. Briefly explain the tools used in management accounting.

OR

B. Write short notes on:

(i) Profit centre
(ii) Cost centre
(iii) Responsibility accounting
(iv) Cost accounting

II. A. ABC Company wishes to arrange overdraft facilities with its bankers during the period April to June when it will be manufacturing mostly for stock. You are required to prepare a cash budget for the above period from the following data.

	Sales (₹)	Purchases (₹)	Wages (₹)
February	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

50 percent of credit sales is realized in the month following the sale and the remaining 50 percent in the second month following. Creditors are paid in the month following the month of purchase.

Cash at bank on 1st April (estimated) ₹25,000.

Also show the extent of bank overdraft the company will require at the end of each month.

OR

B. What is meant by budgetary control? Briefly explain the role of cash budget in a manufacturing firm.

III. A. The Reliable Battery Company furnishes you the following information.

	First half (₹)	Second half (₹)
Sales	8,10,000	10,26,000
Profit earned	21,600	64,800

From the above, you are required to compute the following assuming that the fixed cost remains the same during both the periods.

(i) P/V Ratio
(ii) Fixed cost
(iii) The amount of profit or loss when sales are ₹6,48,000.
(iv) The amount of sales required to earn a profit of ₹1,08,000.

OR

(P.T.O.)

B. Define contribution margin. Explain the role of contribution in making business decisions.

IV. A. Write notes on:

(i) Average collection period
(ii) Stock Turnover Ratio
(iii) Capital Gearing Ratio
(iv) Liquidity

OR

B. From the following information, prepare a balance sheet.

Gross profit	- ₹80,000
Gross profit to cost of goods sold ratio	- 1/3
Stock velocity	- Six times
Opening stock	- ₹36,000
Debtors' velocity (year 360 days)	- 72 days
Current assets	- ₹150,000
Accounts payable velocity	- 90 days
Bills receivable	- ₹20,000
Bills payable	- ₹5,000
Fixed assets turnover ratio	- 8 times

V. A. What is standard costing? Briefly explain how standard costing is useful in cost control.

OR

B. The details of actual and standard cost of material and labour for manufacturing a product are as below.

Actual:

50 units of materials @ ₹3 per unit
5 hours of labour @ ₹8 per hour

Standard:

58 units of materials @ ₹3.50 per unit
6 hours of labour @ ₹7 hour

You are required to calculate:

(i) Material cost variance
(ii) Material price variance
(iii) Material usage variance
(iv) Labour cost variance
(v) Labour efficiency variance

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