

**STELLA MARIS COLLEGE (AUTONOMOUS), CHENNAI - 600086**

**DEPARTMENT OF COMMERCE – SHIFT II**

**B.B.A. DEGREE EXAMINATION NOVEMBER 2021  
BUSINESS ADMINISTRATION  
FIRST SEMESTER**

**SUBJECT CODE: 19BA/MC/AM14  
SUBJECT : ACCOUNTING FOR MANAGERS**

**TIME : 3 HOURS  
MARKS: 100**

**SECTION A (3x4=12)**  
**Answer ALL questions**

1. State any four Objectives of Accounting standards (4 Marks)  
2. The following particulars of sales and profit for two periods are available in respect of a concern

Year	Sales Rs	Profit Rs
2003	10,00,000	2,00,000
2004	15,00,000	4,00,000

Calculate P/V Ratio and Break-even point (4 Marks)

3. Write a note on managerial remuneration and maximum remuneration payable to different categories of managerial personnel (4 Marks)

**SECTION B (3x16=48)**

**Answer any THREE questions.**

4. a. From the following balance Sheets of Anand Ltd as on Dec . 31.12.2019 and 2020, you are required to prepare Cash flow statement for the year ended Dec 31. 2020.

**Balance Sheet**

Liabilities	2019 Rs	2020 Rs	Assets	2019 Rs	2020 Rs
Share Capital	50,000	50,000	Goodwill	6,000	6,000
General reserve	7,000	9,000	Buildings	20,000	18,000
Profit & Loss A/c	8,000	6,500	Plant	18,500	18,000
Creditors	4,000	2,700	Investments	5,000	5,500
Bills payable	600	400	Stock	15,000	11,700
Provision for Taxation	8,000	9,000	Bills receivable	1,000	1,600
Provision for doubtful debts	200	300	Debtors	9,000	9,500
			Cash	300	100
			Bank	3,000	7,500
	77,800	77,900		77,800	77,900

Additional Information:

- a) Depreciation on Plant Rs. 2,000  
b) Provision for taxation of Rs. 9,500 was made during the year 2020

(8 Marks)

b. Trading and Profit and Loss Account  
for the year ending 31<sup>st</sup> March, 2018

Particulars	Rs	Particulars	Rs
To Purchase	20,000	By Sales	30,000
To wages	5,000		
To Gross profit c/d	5,000		
	30,000		30,000
To Salaries	1,000	By Gross Profit	5,000
To Rent	1,000	By Profit on Sale of	
To Depreciation on Plant	1,000	Building:	
To Los on sale of furniture	500	Book Value	10,000
To Goodwill written off	1,000	Sold for	<u>15,000</u>
To Net Profit	5,500		5,000
	10,000		10,000

Additional Information:

Particulars	Balance as on	
	31 <sup>st</sup> March 2017 Rs	31 <sup>st</sup> March 2018 Rs
Stock	10,000	12,000
Debtors	15,000	20,000
Creditors	5,000	7,500
Bills Receivable	5,000	8,000
Outstanding expenses	3,000	5,000
Bills Payable	4,000	2,000
Prepaid Expenses	1,000	500

Calculate Cash from Operational Activity

(8 Marks)

5. a. The following are the Income Statements of Malar Ltd., for the year ending 31<sup>st</sup> Dec. 2020 and 2021. Prepare a Comparative Income Statement for the two years.

Trading and Profit and Loss Account

Particulars	2020	2021	Particulars	2020	2021
	Rs	Rs		Rs	Rs
To Cost of Sales	1,20,000	1,75,000	By Sales	2,00,000	2,50,000
To Gross Profit c/d	80,000	75,000			
	2,00,000	2,50,000		2,00,000	2,50,000
To Operating expenses:			By Gross Profit b/d	80,000	75,000
Administration	12,500	15,000	By Interest on investment	10,000	25,000
Selling	7,500	10,000			
Distribution	5,000	5,000			
To Non-operating expenses					
Finance	10,000	10,000			
Goodwill written off	5,000	---			

To Net profit	<u>50,000</u>	<u>60,000</u>		<u>90,000</u>	<u>1,00,000</u>
	<u>90,000</u>	<u>1,00,000</u>		<u>90,000</u>	<u>1,00,000</u>

(8 Marks)

b. From the following data relating to the assets of Balance Sheet of ABC Ltd., for the period ended March 31, 2011 to March 31, 2014, calculate trend percentages, taking 2010 to 2011 as the base year and interpret on the same

(Rs in Lakhs)

Particulars	2010-2011	2011-2012	2012-2013	2013-2014
Cash	100	120.	80	140
Debtors	200	250	325	400
Stock	300	400	350	500
Other current Assets	50	75	125	150
Land	400	500	500	500
Building	800	1000	1200	1500
Plant	1000	1000	1200	1500

(8 Marks)

6. a. From the following Balance sheet, calculate

- Current Ratio
- Liquid Ratio
- Debt-Equity Ratio
- Proprietary Ratio

Balance Sheet

Liabilities	Rs	Assets	Rs
Share Capital	2,50,000	Fixed Assets	7,00,000
Reserves	1,50,000	Stock	2,50,000
6% Debentures	5,50,000	Debtors	1,00,000
Bank Overdraft	50,000	Cash	50,000
Creditors	1,00,000		
	11,00,000		11,00,000

(8 Marks)

b. Following are the ratios relating to the trading activities of Laxmi Ltd., Chennai

- Receivable turnover = 45 days  
 Inventory turnover = 1.5 times  
 Payables turnover = 1.5 months  
 Gross profit ratio = 25%

Gross profit for the year amounted to Rs. 9,000. Closing inventory of the year is Rs. 1,000 above the opening inventory. Bills receivable amount to Rs. 1,250 and bills payable Rs. 500. Ascertain the following

- Sales
- Debtors

- c) Closing inventory and
- d) Sundry creditors

(8 Marks)

7. a. The sales and profit for 2019 and 2020 are as follows:

	Sales Rs	Profit Rs
2019	75,000	10,000
2020	85,000	12,500

Find out:

- a) P/V Ratio
- b) BEP
- c) Sales for a profit of Rs. 20,000
- d) Profit for sale of Rs 1,25,000

(8 Marks)

b. The following particulars are extracted from the records of the company

	Product A	Product B
Sales (per unit)	Rs. 200	Rs. 240
Consumption of material	4 kg	6 kg
Material cost	Rs. 20	Rs. 30
Direct wages cost	30	20
Direct expenses	10	12
Machine hours used	6	4
Overhead expenses:		
Fixed	10	20
Variable	30	40

Direct wage per hour is Rs. 5. Comment on the profitability of each product (both use the same raw material) when:

- a) total sales potential in units is limited
- b) production capacity (in terms of machine hours) is the limiting factor
- c) material is in short supply
- d) sales potential in value is limited

(8 Marks)

### SECTION C

Answer any ONE question

(1x40=40)

8. a. A firm expects to have Rs. 30,000 on 1<sup>st</sup> May 2020 and requires you to prepare an estimate of cash position during the 3 months May to July 2020. The following information is supplied to you

Month	Sales Rs	Purchases Rs	Wages Rs	Factory Exp Rs	Office Exp Rs	Selling Exp Rs
March	40,000	24,000	6,000	3,000	4,000	3,000
April	46,000	28,000	6,500	3,500	4,000	3,500
May	50,000	32,000	6,500	4,000	4,000	3,500
June	72,000	36,000	7,000	4,400	4,000	4,000
July	84,000	40,000	7,250	4,250	4,000	4,000

Other Information:

- (i) 25% of sales is for cash, remaining amount is collected in the month following that of sale
- (ii) Suppliers supply goods on two months credit
- (iii) Delay in payment of wages and all other expenses: One month
- (iv) Income Tax Rs. 10,000 is due to be paid in July

Preference share dividend of 10% on Rs. 1,00,000 is to be paid in May

(20 Marks)

b. The following data are available in a manufacturing Co. for a yearly period.

Fixed Expenses:	(Rs. In Lakhs)
Wages and Salaries	19
Rent, Rates and Taxes	13.2
Depreciation	14.8
Sundry Administration Expenses	13
Semi-variable expenses (at 50% of capacity)	
Maintenance and repairs	7
Indirect labour	15.8
Sales Department salaries, etc	7.6
Sundry administration salaries	5.6
Variable expenses (at 50 % capacity)	
Materials	43.4
Labour	40.8
Other expenses	15.8
Total Cost	<u>196</u>

Assume that the fixed expenses remains constant for all levels of production.

Semi-variable expenses remain constant between 45% and 65% of capacity, increasing by 10% between 65% and 80% capacity and by 20% between 80% and 100% capacity

Sales at various levels are:

(Rs in lakhs)

50% capacity	200
60% capacity	240
75% capacity	300
90% capacity	360
100% capacity	400

Prepare flexible budget for the year and forecast the profit at 50%, 60%, 75 % and 90% capacity

(20 Marks)

9. a. The following is the trial balance of ABC company as on 31<sup>st</sup> Dec 2020

Particulars	Debit	Credit
Authorised Capital 15,000 shares @ 10 each		5,00,000
Subscribed Capital 10,000 shares of Rs 10 each		1,00,000
Calls in arrears	6,400	
Land	10,000	
Building	25,000	
Machinery	15,000	
Furniture	3,200	
Carriage inwards	2,300	
Wages	21,400	
Salary	4,600	
Bad debts reserve (01.01.2020)		1,400
Sales		80,000
Sales return	1,700	
Bank Charges	100	
Coal	700	
Rates and Taxes	800	
Purchases	50,000	
Purchase return		3,400
Bills Receivable	1,200	
General Expenses	1,900	
Sundry Debtors	42,800	
Sundry Creditors		13,200
Stock (01.01.2020)	25,000	
Fire Insurance	400	
Cash at bank	13,000	
Cash in hand	2,500	
Security Premium		6,000
General reserve		24,000
	2,28,000	2,28,000

Adjustment:

- (i) Charge depreciation on Building @ 2 ¼ %, Machinery @ 10% and Furniture @ 10%
- (ii) Make a reserve on Debtors @ 5%
- (iii) Carry forward the following on the expired amount fire insurance Rs. 120
- (iv) Provide for liability:  
Wages Rs. 3,200  
Salaries Rs. 500  
Rates Rs. 200

(v) Value of Stock 31.12.2020 is Rs. 30,000

Prepare statement of Profit & Loss and Balance sheet in proper form after making the above adjustments.

(20 Marks)

b. The manager of Slow Ltd., is entitled to get a salary of Rs.2500 per month plus 1% commission on the net profits after such salary and commission. The following is the profit and loss of the company on 31.3.18

Dr

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Particulars	Rs	Particulars	Rs
To salaries	1,92,500	By gross profit	9,00,000
To general expenses	74,000	By subsidy from	60,000
To depreciation	82,000	government	1,00,000
To expenditure on research		By profit on sale of assets	
cost of apparatus	14,000	cost price Rs.250000 and	
To manager's salary	30,000	written down value	
To manager's commission	6,000	Rs.180000	
To provision for bad debts	17,500		
To provision for income tax	2,40,000		
To proposed dividend	1,00,000		
To balance c/d	3,04,000		
	10,60,000		10,60,000

Depreciation as per income tax rules amounted to Rs.81000. Calculate the remuneration payable to the manager.

(20 Marks)

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