*This question paper contains 7 printed pages.*

**2000** *Your Roll No.* .....

**MHROD / I Sem.** **A**

Course 615— MANAGEMENT ACCOUNTING

(Admissions of 2004 and onwards)

*Time* : 3 hours *Maximum Marks* : 70

*(Write your Roll No. on the top immediately on receipt of this question paper.)*

*Attempt all questions. All questions carry equal maks.*

Q1. Choose the correct option (Attempt any fourteen): (1×14) = 14

1. Economic events that affect the financial position of a business are called
   (a) Separate entities (b) Business transactions
   (c) Money measures (d) Financial actions

2. A list of assets, liabilities and owner's equity of a business enterprise on a specific date is
   (a)Balance Sheet (b) Cash flow statement
   (c) Income statement (d) None of the above

3. Assigning revenues to the accounting period in which the goods were delivered or the services performed and expenses to the accounting period in which they were used to produce revenues is known as the
   (a)Accounting period problem (b) Recognition
   (c) Continuity assumption (d) Matching rule

4. Eighty units are processed at a total cost of Rs. 18,840, normal loss is 15%, and each unit carries a scrap value of Rs. 40. If output is 70 units, the value of abnormal gain will be
   (a)Rs. 270 (b) Rs. 80
   (c) Rs. 540 (d) Rs. 720

5. Beginning and ending total assets were Rs. 25,000 and Rs. 32,000, respectively, for the current year. At year –end, owner's equity was Rs. 20,000 and liabilities were Rs. 4,000 larger than at the beginning of the year. If owner's withdrawals exceeded contributions by Rs. 2,000, what was the net income or net loss for the year.
   (a)Rs. 9,000 net income (b) Rs. 5,000 net income
   (c) Rs. 13,000 net income (d) Rs. 5,000 net loss

6. A journal entry that contains more than just two accounts is called

(a)A posted journal entry (b)An erroneous journal entry

©An adjusting journal entry (d) A compound journal entry

7. The type of account with a normal credit balance is :

(a)an asset (b) a dividend

(c) an expense (d) a revenue

8. Payment for a two-year insurance policy requires a debit to

(a)Prepaid Insurance (b) Bank

(c) Accounts Payable (d) Insurance Expense

9. A Cash book is only

(a)Ledger Account (b) Book of first entry and also a Ledger account

(c) Subsidiary book (d) None of the above

10. The equality of debits and credits can be tested periodically by preparing a

(a)Trial Balance (b) Ledger

(c) General Ledger (d) T account

11. Given that standard time for a job 10 hours, actual time taken is 7 hours and the time rate is Rs. 50 per hour. What is the total wages under Rowan Premium plan?

(a)Rs. 425 (b) Rs.455

(c) Rs. 350 (d) Rs. 500

12. Compute Profit on the selling price of Rs. 67,500 if the rate of profit is 8% on cost.

(a)Rs..5,400 (b) Rs. 4,500

(c) Rs.5,000 (d) Rs. 5,870

13. Which one of the following is correct

(a)Gross profit + Purchases +Sales = Net Profit

(b) Gross profit + Purchases +Administrative and other expenses = Net Profit

(c) Gross profit - Administrative and other expenses = Net Profit

(d) Gross profit + Sales +Administrative and other expenses = Net Profit

14. At cost a firm's assets were valued at Rs. 40,000. At the end of five years depreciation totals Rs. 24,000. The book value of the assets at the end of five years is

(a)Rs. 16,000 (b) Rs. 24,000

© Rs. 6,000 (d) Rs. 20,000

15. If merchandise inventory is being valued at cost and the price level is steadily rising , the method of costing that will yield the highest net income is

(a)LIFO (b) Average

(c) FIFO (d) Periodic

16. Prepaid insurance has an ending balance of Rs. 3,200. During the period , insurance of Rs. 2,000 expired. The adjusting entry would contain a debit

(a)To Prepaid Insurance for Rs. 2,000 (b) To Unexpired Insurance for Rs. 1,200

(c) To Insurance Expense for Rs. 2,000 (d) To Insurance Expense for Rs. 1,200

Q2. From the following Trial balance of AV limited prepare Trading, profit and Loss account and the Balance sheet. The following Trial balance was extracted from the books of SV (Pvt.) Limited on 31.3.2010:

| Details | Amount (Rs) DEBIT | Amount (Rs) CREDIT |
|---|---|---|
| Purchases and Sales | 5,50,000 | 10,40,000 |
| Returns | 30,000 | 18,000 |
| Carriage | 24,800 | |
| Wages and Salaries | 1,17,200 | |
| Trade Expenses | 4,400 | |
| Rent | | 26,000 |
| Insurance | 4,000 | |
| Audit Fees | 2,400 | |
| Debtors/Creditors | 2,20,000 | 1,24,200 |
| B/R and B/P | 6,600 | 4,400 |
| Printing and Advertising | 12,000 | |
| Commission | | 3,000 |
| Opening Stock | 72,000 | |
| Cash in Hand | 25,000 | |
| Cash at Bank | 54,200 | |
| Bank Loan | | 50,000 |
| Interest on Loan | 3,000 | |
| Capital | | 5,00,000 |
| Drawings | 40,000 | |
| Fixed Assets | 6,00,000 | |
| Total | 17,65,600 | 17,65,600 |

Additional information:

(A) Stock as on 31.3.2010: Rs. 1,20,000;

(B) Depreciate Fixed assets @ 10% p.a.;

( C ) Commission earned but not received amount to Rs. 800;

(D ) Interest on Bank Loan @ 15% p.a. is unpaid for the last six months;

(E) Allow 8% Interest on Capital and charge Rs. 2,400 as interest on drawings. (14)

**OR**

Q2 (a) From the following annual account of Fair Glow Limited you are requested to compute the following

(i) Gross Profit Percentage,
(ii) Net Profit Percentage;
(iii) Return on total assets;
(iv) Current Ratio;
(v) Stock turnover Ratio;
(vi) Debtors collection period; and
(vii) Return on Shareholders' funds.

Extracts from Year's Profit and Loss account

| *Details* | *Amount (Rs)* |
|---|---|
| Sales for the year | 62,00,000 |
| Gross Profit | 34,50,000 |
| Expenses | 16,10,000 |
| Depreciation | 5,00,000 |

Balance Sheet as on March31, 2010

| *Details* | *Amount (Rs'000)* |
|---|---|
| Share Capital | 900 |
| Retained Profit | 480 |
| 12% Debentures | 1,400 |
| Trade Creditors | 1,240 |
| Proposed Dividend | 90 |
| Total | 4,110 |
| Fixed Assets net of depreciation | 1,750 |
| Stocks | 620 |
| Debtors | 1,540 |
| Bank | 200 |

Total 4,110

Q2(b) Speed Transport company purchases Five trucks at Rs. 2,50,000 each on July 1, 2008; the company writes off depreciation @ 20% p.a. on original cost and the accounts are closed on March 31, each year.

On January1, 2010 one of the trucks is involved in an accident and is completely destroyed. Insurance company pays Rs. 1, 12,500 in full settlement of the claim. On the same day the company purchases an old truck for Rs. 1, 25,000 and spent Rs. 25,000 on its overhauling.

Prepare Truck account for three years.

(7+7)= 14

Q3. Write short notes on any of the FOUR of the following:

(i) Absorption of Overheads
(ii) Profitability Ratios
(iii) Improvement of P/V ratio
(iv) Accounting as an Information system
(v) Budgetary Control
(vi) FIFO method of issue of inventory

(3.5×4) 14

**OR**

Q3. Prepare Cash Flow Statement as per AS-3(Revised) from the details given below:

Comparative Balance sheet for Moon Limited as on March 31:

| Details | Amount (Rs) 2010 | Amount (Rs) 2009 |
|---|---|---|
| Cash | 2,00,000 | 2,85,000 |
| Accounts Receivable | 3,85,000 | 3,20,000 |
| Inventory | 6,60,000 | 7,00,000 |
| Prepaid Expenses | 60,700 | 82,700 |
| Land | 6,25,000 | 7,50,000 |
| Equipment | 10,00,000 | 8,75,000 |
| Accumulated Depreciation: Equipment | (3,00,000) | (2,10,000) |
| Building | 12,50,000 | 12,50,000 |
| Accumulated Depreciation: Building | (3,75,000) | (2,50,000) |
| Total | 35,05,700 | 38,02,700 |
| Accounts Payable | 1,65,000 | 2,25,000 |

| | | |
|---|---|---|
| Bonds Payable | 11,75,000 | 13,25,000 |
| Equity Share Capital (Rs. 50 per share) | 14,00,000 | 12,50,000 |
| Retained earnings | 7,65,700 | 10,02,700 |
| Total | 35,05,700 | 38,02,700 |

Additional Information:

(i) Operating expenses include depreciation expenses of Rs. 3,50,000 and amortization of prepaid expenses of Rs. 22,000.

(ii) Land was sold for cash at book value.

(iii) Cash dividends of Rs. 3,71,450 were paid.

(iv) Net income for the year 2010 was Rs. 1,34,450.

(v) Equipment was purchased for Rs. 3,25,000 in cash. In addition equipment costing Rs. 2,00,000 with a book value of Rs. 65,000 was sold for Rs. 75,000 in cash.

(vi) Bonds were redeemed at Nominal value by issuing 3,000 Equity shares of Rs. 50 at par.

(14)

Q4. From the information relating to expenses incurred on a Contract No. 102 for Rupees twenty five lakhs, prepare Contract Account for the year 2009-10. [The date of commencement of this contract is June 1, 2009.]:

| *Details* | *Amount (Rs)* |
|---|---|
| Materials | 5,50,000 |
| Wages | 4,25,000 |
| Plant | 6,00,000 |
| Overheads | 1,75,000 |
| Work Uncertified | 37,500 |

Cash received on account of the contract AS ON 31.3.2010 was Rs. 12,50,000, being 80% of the work certified. The value of materials in hand was Rs. 25,000. The plant had undergone 20% depreciation.

(14)

**OR**

Q4. Distinguish between any FOUR of the followings:

(i) Fixed cost and variable cost

(ii) Casual workers and Outworkers

(iii) Overhead and Chargeable expenses

(iv) Budgetary control and standard costing

(v) Prepaid expense and Accrued expense

(vi) Job costing and process costing

(3.5×4) = 14

Q5 (a) Attempt any TWO of the following:

(i) Calculate the amount of actual sales when profit is Rs. Rs. 20,000, break-even point is Rs. 80,000 and the fixed cost Rs. 25,000.

(ii) Given: BE point=Rs. 30,000, Fixed cost= Rs. 6,000 and Profit= Rs.1, 500. Find Variable cost and Actual Sales.

(iii) Find out Break Even sales when P/V Ratio is 40%, Margin of safety 30%, Profit Rs. 30,000

(4×2) = 8

Q5 (b) With the following data for 60% utilization, prepare a budget for 80% and 100% capacity:

Production at 60% Capacity: 3,000 units

Material Rs. 120; Labour Rs. 80; Expenses Rs. 25; Factory Overheads Rs. 1,50,000 (70% fixed); Administration overheads Rs. 2,40,000 (10% Variable). (6)

[(4×2 = 8)+ (6) = 14]

**OR**

Q5 (a) From the following details compute (a) Material Price variance, (b) Material Usage variance, and (c) Material cost variance:

| | |
|---|---|
| Quantity of materials Purchased | 15,000 units |
| Value of Materials purchased | Rs. 1,35,000 |
| Standard quantity of materials required per Kg. of output | 50 units |
| Standard rate of material | Rs. 8.25 per unit |
| Opening Inventory of material | N I L |
| Closing Inventory of material | 1,800 units |
| Output during the period | 280 Kg. |

(3+3+2= 8)

Q5 (b) In a workshop monthly input of material @ Rs. 60 per Kg. is 12,500 Kgs. Other expenses in the workshop amount to Rs. 4,86,250. Normal loss is 4% of input and it realizes @ Rs. 12.50 per unit. Actual output is equal to normal Output i.e. 12,000 units. Prepare process account and Normal Loss account.

(6)

[(3+3+2= 8)+ (6) = 14]