Reg. No. | | | | | | | | | |

MBAH 502

Third Semester M.B.A. Degree Examination, December 2017
(Choice Based Credit System)
BUSINESS ADMINISTRATION
Management Accounting

Time : 3 Hours Max. Marks : 70

Instruction : *Answer all Sections.*

SECTION – A (2×10=20)
(Compulsory)

Note : Answer **any two** questions. **Each** question carries **10** marks. Answer to the questions should **not** exceed **six** pages.

1. Give a comparative description of absorption costing and marginal costing.
2. Explain the significance and limitations of Financial Statements.
3. Explain in detail the concept of zero base budgeting.

SECTION – B (3×12=36)

Note : Answer **any three** questions. **Each** question carries **12** marks. Answer to the question should **not** exceed **six** pages.

4. From the following summarized Balance Sheet of K and C Company, as at 31^{st} March, 2010 and other information furnished, prepare Statement of sources and application of Fund Flow Statement for the year ended 31^{st} March, 2010.

Liabilities	**2010**	**2009**	**Assets**	**2010**	**2009**
Equity Share Capital	2,00,000	50,000	Fixed Assets	4,20,000	2,40,000
Redeemable preference Share capital	–	1,00,000	Investments	15,000	18,000
Reserve and Surplus	3,50,000	1,20,000	Stock	1,60,000	58,500
Secured Loans	–	1,25,000	Sundry Debtors	92,000	1,37,000
Creditors	1,90,000	2,25,000	Cash at Bank	1,20,000	1,85,000
Provision for tax	75,000	25,000	Prepaid Expenses	8,000	6,500
Total	**8,15,000**	**6,45,000**	**Total**	**8,15,000**	**6,45,000**

P.T.O.

Additional information :

a) On 31st March, 2010 accumulated depreciation on fixed assets amounted to Rs. 1,20,000 and on 31st March, 2009 to Rs. 1,10,000.

b) Machinery costing Rs. 10,000 (accumulated depreciation there on being Rs. 5,000) was discarded and written off during 2009-10.

c) Depreciation written off during 2009-10 amounted to Rs. 15,000.

d) During the year 2009-10 investments costing Rs. 6,000 were sold for Rs. 7,000.

e) Dividend paid for the year ending 31st March, 2009 was Rs. 45,000.

f) Redeemable preference shares were redeemed out of profits during the year at a premium of 5%.

5. Explain the factors influencing cost of capital.

6. The following information regarding the budget for the year 2010 based on 100% capacity of Swastika Ltd. has been made available from the cost record :

	Budget for 2010 (based on 100% capacity) expenses	**Estimated shutdown**
	Rs.	**Rs.**
Direct materials	3,40,000	–
Direct wages	3,10,000	–
Factory expenses	1,90,000	1,20,000
Administration expenses	40,000	20,000
Selling and distribution expenses	60,700	40,700
Sales	9,00,000	–

You are required to calculate :

i) The value of output at which the business breaks even and

ii) The percentage of capacity at which it breaks even.

7. What is the importance of working capital for a manufacturing firm ? What shall be the repercussions if a firm has a) Paucity of working capital, b) excess working capital ?

8. The expenses budgeted for production of 10,000 units in a factory are furnished below :

	Per Unit Rs.
Materials	70
Labour	25
Variable Overheads	20
Fixed Overheads (Rs.1,00,000)	10
Variable Expenses (Direct)	5
Selling Expenses (10% fixed)	13
Distribution Expenses (20% fixed)	7
Administrative Expenses (Rs. 50,000)	5
Total cost of sale per unit (to make and sell)	**155**

Prepare a budget for the production of :

a) 8,000 units and b) 6,000 units.

SECTION – C
(Compulsory) **(1×14=14)**

Note : Answer to the question should **not** exceed **six** pages. This question carries **fourteen** marks.

9. A company has to make a choice between two projects namely A and B. The initial capital outlay of two projects are Rs. 1,35,000 and Rs. 2,40,000 respectively for A and B. There will be no scrap value at the end of the life of both the projects. The opportunity cost of capital of the company is 15%. The annual incomes are as under :

Year	Project A (Rs.)	Project B (Rs.)
1	–	60,000
2	30,000	84,000
3	1,32,000	96,000
4	84,000	84,000
5	84,000	90,000

You are required to calculate for each project :

a) Payback period

b) ARR

c) IRR

d) NPV

e) PI