I SEMESTER – 101 MANEGERIAL ACCOUNTING

Question Bank

1) What do you mean by business decision? Explain its importance.
2) What are the different forms of business organization?
3) What do you mean by Book-Keeping and accounting? Explain its importance, advantages and limitations of accounting.
4) Describe difference between Accounting Concepts and conventions.
5) Explain difference between Financial Accounting, Cost Accounting & Management Accounting.
6) Write detailed note on use & Applicability of Tally in Accounting.
7) What do you mean by financial Statements? Explain its objectives and Importance in detail.
8) Explain advantages and limitations of financial Statements.
9) Write short not on- Effects of Adjustment.
10) Briefly explain how to make financial decision on the basis of Financial Statements.

Q.2) Write Short Notes On –

1) Journal
2) Ledger
3) Trial Balance
4) Subsidiary Books.
5) Cost Centre
6) Cost Accounting
7) Cost Accountancy
8) Types of Cost Centre.
9) Sunk Cost
10) Opportunity Cost

PRACTICAL PROBLEMS :

Q:1) Pass the Journal Entries for the following transaction and also prepare Ledger & Trial Balance.

1.07.2016 Anuj started business by ₹. 50000/-

8.07.2016 Bought goods ₹. 21000 from Amol on Credit.

12.07.2016 Withdraw cash ₹. 2000 for personal use.

15.07.2016 Paid, ₹. 15000 to Amol on our account.

24.07.2016 Bought goods ₹ 8000 by cash.

28.07.2016 Bought additional capital ₹ 12000

30.07.2016 Bought goods ₹. 10000 from Amol on credit.

Q:2) From the following transaction prepare necessary ledger accounts in the books of Mr. Patil and balance them.

2020 April.

1. Started business with cash ₹.10000 and Machinery ₹. 20000.

11. Cash Purchase ₹ 3000 @ 5% Trade Discount

11. Cash Sales ₹. 6000.

12. Paid Wages ₹. 700

15. Purchase goods on credit from Sanjay Trader ₹. 4000

25. Paid to Sanjay Trader ₹. 3000

28. Withdrew Cash for personal use ₹. 1000

31. Opened Bank A/c in State Bank of India by depositing ₹ 7000.

Q:3) Journalize the following transactions.

2015 July, 5 Purchase furniture from Munna and issued him a cheque ₹. 6000.

4. Paid cash into Bank of Baroda ₹.90000

7. Credit Purchases from Manik Traders ₹. 15000 less 4% trade discount.

8. Return goods to Manik Tader ₹.150

10. Cash Sales ₹. 4500.

11. Credit Sales to Ashok ₹. 3000 less trade discount @ 2%.

12. Ashok returned goods of ₹. 294.

14. Goods taken for personal use ₹.300

16. Paid postage ₹. 100 and electricity bill of ₹. 600

19. Sent a Telegram of ₹.30 to Manik trader to supply goods of ₹. 7500 immediately.

21. Purchases computer & Printer of ₹. 25000 from Kewal in part payment gave him cash ₹. 15000

28. Paid life insurance premium on life of Navnath of ₹. 3000

29. Paid Telephone deposit for new telephone Connection by Cheque ₹. 2000

31. Paid Travelling Expenses ₹. 3000.

1. Navnath started his business with cash ₹. 81000, Building ₹. 100000, and borrowed from Friend Shivaki ₹. 25000.

Q:4) From the following trail Balance of Gokul Ltd, you are required to prepare Trading and Profit and Loss A/c and balance Sheet as on 31.03.2016

Trial Balance

Particulars	Debit Amount	Credit Amount
Capital Account		250000
Sales		755000
Return Outwards		10000
Creditors		126000
Discount Received		500
RDD		7500
Unpaid Salary		1000
Drawings	7500	
Building	200000	
Plant & Machinery	60000	
Cash at bank	6000	
Purchases	475000	
Return Inward	15500	
Carriage Outwards	3500	
Opening Stock	110000	
Wages	60000	
Debtors	175000	
Salaries	25000	
Postage and Telegram	2000	
Insurance	4000	
Bad-debts	2500	
Rent	1000	
Trade Expenses	3000	
TOTAL	**11,50,000**	**11,50,000**

Additional Information:

1. Closing Stock on 31.12.2016 was valued at Rs.80000
2. Prepaid Insurance Rs.1000
3. Depreciation Building by 5% and Plant & Machinery by 10% p.a.
4. Maintain Reserve for Doubtful debts 5% on Debtors
5. Allow interest on Capital @5% p.a.
6. Good worth Rs. 10000 were destroyed by fire and Insurance Company had admitted a claim for Rs.8000 only.

Q:5) From the following Trail Balance of Kanhaiya Ltd, you are required to prepare Trading and Profit & Loss a/c for the year ended 31.03.2016 and Balance Sheet as on that date after taking into consideration the additional information.

Trial Balance

Particulars	**Debit Amount**	**Credit Amount**
Sales		16500
Discount Received		240
Creditors		1000
Bank Overdraft		500
Interest on Investment		360
Capital Account		5000
Opening Stock	1750	
Salaries and Wages	460	
Cash at bank	500	
Purchases	11260	
Office Expenses	430	
Productive Wages	700	
Bills Receivables	400	
Legal Expenses	150	
Bad-Debts	50	
Works manager's Salary	300	
Commission	150	
Investment	1000	
Debtors	2000	
Patents	400	
Loose-Tools	300	
Furniture	600	
Goodwill	650	
Land & Building	2500	
TOTAL	**23600**	**23600**

Additional Information:

1. Closing Stock Costing Rs.2000 and its Market Value Rs.2250.
2. Goods Worth Rs. 60 withdrawn for personal Use
3. Uninsured goods worth Rs. 500 were destroyed by fire
4. Rs. 22.50 written off as bad-debts from debtors
5. Outstanding Salaries and Wages Rs.40
6. Depreciation Land & Building @7.5% p.a.

Q:6) From the following Trail Balance of Mrs. Sumitra as at 31st March 2016, prepare Trading & P&L A/c for the ended 31st March 2016 and Balance Sheet as on that date.

Particulars	Debit Amt	Particulars	Credit Amount
Drawings	3000	Capital	100000
Stock	44000	Sales	302000
Bills Receivables	1800	Return	2000
Purchases	190000	Discount Received	200
Returns	6000	Sundry Creditors	64200
Salaries	10000		
Carriage Outward	1400		
Wages	24000		
Insurance	1600		
Postage	800		
Sundry Debtors	70400		
Furniture	24000		
Cash In Hand	9800		
Machinery	80000		
Rents & Taxes	1200		
Printing & Stationery	400		
TOTAL	**468400**	**TOTAL**	**468400**

Additional Information:

1. Closing stock amounted to Rs.56000
2. Outstanding wages Rs.2000 and Salaries Rs.930
3. Goods distributed worth Rs.2000as free samples
4. Interest on Capital @ 7% p.a. was to be provided
5. Pre paid Insurance was Rs.100
6. Depreciation Machinery by 5% and Furniture by 10%
7. Create Reserve for bad and Doubtful debts @ 5% on Sundry Debtors.

Q:7) From the following trial Balance of Mr. Ramnath as at 31st March 2016, prepare Trading & Profit & Loss A/c for the year ended 31st March 2016, and Balance Sheet as on that Date.

Particulars	Debit Amt	Particulars	Credit Amt
Drawings	1500	Capital	50000
Opening Stock	6000	Sundry Creditors	15000
Purchases	40000	Sales	70000
Office Salary	3000	RDD	500

Royalty	1000	Return Outward	1200
Trade Expenses	700	Bills Payable	3000
Advertisement	2600	Reserve Fund	2000
Wages & Salaries	5200		
Cash In Hand	4000		
Sundry Debtors	25000		
Bad debts	200		
Investment in debentures	8000		
Bills receivables	2000		
Discount	800		
Motor van	15000		
Furniture	5000		
Office rent	1700		
Plant & Machinery	12000		
Freehold Property	8000		
TOTAL	**141700**	**TOTAL**	**141700**

Additional Information:

1. Closing stock on 31st March 2016 was valued at Rs.8800
2. Audit fees for the year was outstanding Rs.1200
3. Create Reserve for Bad & Doubtful debts @5%.
4. Goods worth Rs. 2800 purchase and received on 25th March 2016 were not recorded in the books of accounts.
5. Depreciation Freehold property by 10% and Motor Van by 25%.

Q:8) The following is the Trading and Profit Loss Account of Cipla Chemical Ltd. Sion for the year ended 31st march 2014.

Particulars	Amount Rs.	Particulars	Amount Rs.
To Opening Stock Of Raw Material	18000	By Sales 510000 Less – Return Inward 10000	5,00,000
To Purchase of Raw Material 252000 Less – Return Outward 2000	250000	By Closing Stock Raw Material	10000
To direct wages	102000	By Sale of Scrap of Raw material	1000
To Carriage	25000		

To royalty	7200		
To Gas & Water	19000		
To Custom Charges	8000		
To Wages Payable	8000		
To Chargeable Expenses Outstanding	2800		
TO Heating and Lighting	11000		
To Gross Profit C/D	60000		
TOTAL	**5,11,000**	**TOTAL**	**5,11,000**
To Carriage	5000	By Gross Profit B/d	60000
To Preliminary Expenses	5500	By Discount Received	10000
To Underwriting Commission	4500	By Interest on Investment	12000
To Commission on Sales	7600	By commission	8000
To Sales Depot Expenses	2400		
To Discount on issue of shares	6000		
To salary	16000		
To Bad debts Provision	1000		
To Property tax on office Building	2000		
To Income Tax	5000		
To Depreciation on OFF.Furn.	2000		
To Donation	4000		
To Net Profit	29000		
TOTAL	**90000**	**TOTAL**	**90000**

You are Required to prepared c Cost Statement for the year ended 31st March 2014 Showing

a. Cost of material consumed
b. Prime Cost
c. Work Cost
d. Cost of Production
e. Total Cost
f. Profit for the year , Also calculate the percentage of profit on sales.

Q:9) Prepare a statement of cost from the following information relating to Marphy Traders Mumbai for the year ended 31st

Particulars	**Amount**
Cost of Direct Material	2,00,000
Sales	400000

Direct Wages	100000
Office Indirect Material	5000
Cost of special Pattern	40000
Postage & Telegram	2000
Factory Rent & Insurance	5000
Outstanding Chargeable Expenses	2000

Carriage Outward	2500
Interest on Loan	2150
Printing & Stationery	500
Factory Indirect Wages	3000
Selling on Cost	4000
Travelling Salesman's Salary	4000
Factory Indirect Material	1000
Royalties	8000
General Works Overheads	2000
Bad-debts Written Off	1000

- Also Calculate the percentage of profits earned to sales.

Q:10) From the following particulars relating to M/s Chitamani, prepare a cost sheet showing A) prime Cost B) Factory Cost C) Cost of Production D) Cost of Sales E) Profit Loss for the period for six months ended 31st march 2014.

Cost of Material Consumed	40000
Oil & Waste	100
Operating Labour	9000
Wages of foreman	1000
Direct Expenses	2000
Store keepers wages	500
Sales	100000
Commission paid to the partner Mr. Chandala	350
Electric Power	200
Salary paid to the partner Mr. Rajmal	650
Consumable stores	1000
Direct wages payable	1000
Lighting: Factory Office	500 200
Carriage Outward	150
Rent: Office Factory	 1000 2000
Warehouse Charges	200
Repairs & Renewals: Factory Rent Machinery Office Premises Warehouse	 500 1000 200 100
Advertising	400

Depreciation: Office Premises Machinery	 500 200
Travelling Expenses	200
OfficeManager's Salary	2250
Salesman's commission Salaries	500
Director's Fees	500
Printing & Stationery	200
Telephone Charges	50
Postage	100
Bad-debts	450

Q:11) The company furnishes you the following information for the current year divided into sub parts.

Particulars	First Half	Second Half
Sales	810000	1026000
Profit Earned	21600	64800

Assume that fixed cast remains the same for both the periods. Calculate:

1. P/V Ratio
2. Fixed Cost
3. Break Even Points and Margin of Safety
4. Amount of Profit & Loss when Sales are Rs. 648000
5. Amount of sales required to earn profit of Rs. 108000.

Q:12) The sales Turnover and total Cost during two years were as follows:

Year	Sales (RS)	Total Cost (RS)
2009	150000	130000
2010	170000	145000

You are required to Calculate

1. Profit Volume ratio
2. Break Even Point
3. Sales to earn a profit of Rs. 40000
4. Profit made when sales are Rs. 250000
5. Margin of safety for 2009 and 2010.

Q:13) Sakshi & Co. has been purchasing a separate part from an outside source $ Rs. 33 per unit . Sakshi's Daughter Swara, after completion of her MBA has come up with proposal to improve profitability. She has put up a proposal that the spare part be produced in the factory itself, utilizing the available free space in the factory shed. For this purpose a machine costing Rs.240000, with an annual capacity of 60000 units and a life of 10 years, will be required. A foreman with a monthly salary of Rs.1800 will have to be engaged. Material required will be Rs. 9.00 per unit and wages Rs. 6.00 per unit. Variable overheads are 150% of direct Labour. The firm can easily raise funds @9% p.a. There is a guaranteed requirement for the part, presently purchased for a period of 12 years. The expected volume is 8000 units

- Suggest the firm for purchase or making the spare parts based on daughters advice.

Q:14) Raj corporation ltd has prepared the following budget estimates for the year 2012-13

Sales Units	15000
Fixed Expenses	₹. 34000
Sales Value	₹. 150000
Variable Cost	₹. 6 Per

Unit You are required to calculate:

a. Find the PV Ratio, break Even Point and Margin of Safety
b. Calculate revise P/V ratio, Break Even point and Margin of Safety in each of the following Cases:
   i) Decrease of 10% in selling Price
   ii) Increase of 10% in variable cost
   iii) Increase of sales volume by 2000 units
   iv) Increase of Rs. 6000 in fixed cost

Q:15) The sales Turnover and Total cost of Sugar Ltd, areas Under:

Year	Sales Rs.	Total Cost Rs.
2015	150000	160000
2016	180000	175000

You are required to Calculate:

1. Profit Volume Ratio
2. Fixed Cost
3. Break Even Point
4. Sales to Earn Profit of Rs. 40000
5. Variable Cost for 2016

Q:16) A company is expecting to have Rs.25000 cash in hand on 1st April 2012, and it requires you to prepare an estimate of cash position in respect of three months from April to June 2012 from the following information.

Month and Year	**Sales**	**Purchases**	**Wages**	**Expenses**
February 2012	70000	40000	8000	6000
March 2012	80000	50000	8000	7000
April 2012	92000	52000	9000	7000
May 2012	100000	60000	10000	8000

June 2012	120000	50000	12000	9000

Additional Information:

1. Period of credit allowed by suppliers -2months
2. 25% of the sale is for cash and the period of credit allowed to customers for credit sale is one month.
3. Delay in payment of wages and expenses one month.
4. Income tax Rs.25000 is to be paid in June 2012.

Q:17) Prepare flexible budget for overheads on the basis of data given below. Calculate overhead rate at 50%, 60% and 70% capacity.

Particulars	**Rs.**
Variable	
Indirect Material	6000
Indirect Labour	18000
Semi-Variable Overheads	
Electricity (40% Fixed & 60% Variable)	30000
Repairs (80% Fixed and 20% variable)	3000
Fixed Overheads	
Depreciation	16500
Insurance	4500
Salaries	15000
Total overheads	
Estimated Direct Labour Hours 186000	

Q:18) Budgeted sales of Product 'X' were 12000 units. It was desires to have closing stock equal to 25% of Budgeted Sales. The opening stock was 1000 units. Manufacturing of one unit of product ' X' require 5 kgs material of 'A' and 3 kgs material of 'B' . There budgeted prices were Rs. 20 per kg and Rs. 10 per kg. 1/10 consumption was desired closing stock of material. Opening stock were 2000 and 1500 kgs of A and B respectively. Prepare material Consumption Budget.

Q:19) A Company is at present working at 90% of its capacity and producing 13500 units per annum. It operates a flexible budgetary control system. The following figures (excluding material and labour cost) are obtained from its budget.

Particulars	**90% Capacity (Rs.)**	**100% Capacity (Rs.)**
Sales	1500000	1600000
Fixed Expenses	300500	300500
Semi-Fixed Expenses	97500	100500
Variable Expenses	142000	149500

Material and Labour cost per unit are constant under present conditions. Profit Margin is 10% at 90% capacity. You are required to determined the cost of producing an additional 1500 units.

Q:20) From the following information calculate :

a) Material Coat Variance
b) Material Price Variance
c) Material usage variance

Product	Standard		Actual	
	Qty	Price	Qty	Price
A	10 kg	8	10Kg	7
B	8Kg	6	9Kg	7
C	4Kg	12	12kg	11

Q:21) Calculate the following :

a) Material Price Variance
b) Material Usage Variance
c) Material Cost Variance
d) Material Mix Variance
e) Material Yield Variance

Material	**Standard**		**Actual**	
	QTY	**PRICE**	**QTY**	**PRICE**
Input				
A	1500	8	1350	8.10
B	800	4.25	950	5.10
C	200	6	400	5.35
TOTAL	2500		2700	
Less:- Normal Loss	-275		-475	
OUTPUT	2225		2225	

Q:22) It is estimated that a specific job can be completed by employing 10 trained workers for 8 hours and 12 untrained workers for 10 hours. Each to be paid at standard rate of Rs. 20 and Rs. 15 per hour respectively. Actually, 8 trained workers for 12 hours and 10 untrained workers for8 hours each worked to complete the job @Rs.18 and Rs.20 per labour hour respectively.

- You are required to calculate all labour variance

Q:23) 10 skilled Operators working 40 hours each and paid @ Rs. 20 per hour per person and 20 unskilled operators working 40 hours each and paid @Rs. 15 per hour per person. The job was completed wit the same number of persons, each of them working for 42 hours and actually paid @ Rs.21 for skilled operators per labour hour respectively.

- You are required to calculate all labour Variances and show their tally.

Q:24) A team of workers normally consists of 30 men, 15 Women and 10 Boys. They are paid at standard hour rate as per the following details.

- Men Rs. 0.80
- Women Rs. 0.60
- Boys Rs. 0.40

In a normal working week of 40 hours the team is expected to produce 2000 units of output. During the week ended 31st July 2016, the team consists of 40 Men, 10 Women and 5 Boys. The Actual wages paid were @ Rs.0.70, Rs.0.65 and Rs.0.30 respectively. 4 Hours were lost due to abnormal idle time and 1600 units were produced. Calculate all labour Variances.

Q:25) Barua Chemicals Ltd, Badlapur produces certain chemicals, the standard material cost of the same is as follows:

Material Alpha : 40% @ Rs.20 per tonne
Material Bita : 60% @ Rs.30 per tonne

A standard production loss of 10% is normally expected in the manufacturing processes .

During February 2015 the result of chemical production are as follows:

Material :	Alpha	@ ₹. 18 Per tonne	90
Material Bita :		@ ₹. 34 per Tonne	+ 110
Therefore, Input			200
Less: Production Loss			- 90
OUTPUT			**171**

You are required to calculate :

1. Material Price Variance
2. Material Yield Variance