

MBA-I / Sem. I
101 Managerial Accounting

Question Bank

1. What is Financial Statements? State its objectives.
2. What is accounting? State the various terms used in accounting.
3. Discuss the various accounting concepts and conventions.
4. Explain the various types of account.
5. State the users of accounting information.
6. What do you mean by Book-Keeping and accounting? Explain its importance, advantages and limitations of accounting.
7. Explain the various forms of business organizations.
8. Distinguish between: Management accounting & Financial Accounting
9. Distinguish between: Management accounting & Cost Accounting
10. Explain the basic concept of Cost accounting
11. State the classification & analysis of cost
12. Explain the objectives & advantages of Cost Accounting.
13. What is marginal costing? State its advantages & limitations
14. What is Budget & Budgetary Control?
15. Explain the various Labor variance.
16. Explain the various Material variance.
17. Explain the various types of Budget.
18. State the advantages & limitations of Budgetary Control.
19. What is Standard Costing? State the advantages & limitations of Standard Costing.
20. Briefly explain how to make financial decision on the basis of Financial Statements.

21. Write Short Notes

- 1) Master Budget
- 2) Direct Material Price Variance
- 3) Direct Material Usage Variance
- 4) Direct Material Labour Variance
- 5) Pre-requisites for Effective Budgetary Control
- 6) Management Accounting
- 7) Ledger
- 8) Journal
- 9) Trial Balance
- 10) Opportunity Cost
- 11) Relevant & Irrelevant Cost
- 12) Differential Cost
- 13) Sunk cost
- 14) Cost Sheet
- 15) Make or Buy (Outsourcing) Decisions.

PRACTICAL PROBLEMS :

1. Journalise the following transactions and post them into Ledger:

2006 Sept. 1 Started business with Rs. 50,000 out of which paid into Bank Rs. 20,000.

- „ 2 Bought furniture for Rs. 5,000 and machinery for Rs. 10,000.
- „ 3 Purchased goods for Rs. 14,000.
- „ 6 Sold goods for Rs. 8,000.
- „ 8 Purchased goods from Malhotra and Co. Rs. 11,000.
- „ 10 Paid telephone rent for the year by cheque Rs. 500.
- „ 11 Bought one typewriter for Rs. 2,100 from Universal Typewriter Co. on credit.

- „ 15 Sold goods to Keshav Ram for Rs. 12,000.
- „ 17 Sold goods to Rajesh Kumar for Rs. 2,000 for cash.
- „ 19 Amount withdrawn from bank for personal use Rs. 1,500.
- „ 21 Received cash from Keshav Ram Rs. 11,900 discount allowed Rs. 100.
- „ 22 Paid into bank Rs. 5,800.
- „ 23 Bought 50 shares in X Y & Co. Ltd. at Rs. 60 per share, brokerage paid Rs. 20.
- „ 25 Goods worth Rs. 1,000 found defective were returned to Malhotra & Co. at the balance of the amount due to them settled by issuing a cheque in their favour.
- „ 28 Sold 20 shares of XY & Co. Ltd. at Rs. 65 per share, brokerage paid Rs. 20.
- „ 28 Bought goods worth Rs. 2,100 from Ramesh and supplied them to Suresh at Rs. 3,000.
- „ 30 Suresh returned goods worth Rs. 100, which in turn were sent to Ramesh.
- „ 30 Issued a cheque for Rs. 1,000 in favour of the landlord for rent for September.
- „ 30 Paid salaries to staff Rs. 1,500 and received from travelling salesman Rs.2,000 for goods sold by him, after deducting the travelling expenses Rs. 100.
- „ 30 Paid for : Charity Rs. 101 Stationery Rs. 450 Postage Rs. 249

2. Mr. Ramu has the following transactions in the month of July.

Record them into the journal and show postings in the ledger and balance the accounts.

July 1st: Ramu started business with a capital of 75,000

- 2nd : Sold goods to Sonu 20,000
- 3rd : Purchased goods from Meenu 15,000
- 4th : Sold goods to Tanu for cash 16,000
- 5th : Goods returned to Manu 2,000
- 6th : Bought furniture for 15,000
- 7th : Bought goods from Zenu 12,000
- 8th : Cash paid to Manu 10,000
- 9th : Sold goods to Jane 13,500
- 10th : Goods returned from Sonu 3,000
- 11th : Cash received from Jane 5,500
- 12th : Goods taken by Ramu for domestic use 3,000
- 13th : Returned Goods to Zenu 1,000
- 14th : Cash received from Sonu 12,000
- 15th : Bought machinery for 18,000
- 16th : Sold part of the furniture for 1,000
- 17th : Cash paid for the purchase of bicycle for Ramu's son 1,500
- 19th : Cash sales 15,000
- 20th : Cash purchases 13,500

3. Journalise the following transactions in the books of Moon and post them into the ledger for the month of August

Aug 10th : Moon commenced business with a capital of 1,50,000

11th : Cash deposited into bank 50,000

12th : Bought equipment for 15,000

13th : Bought goods worth 20,000 from Star and payment made by cheque

14th : Sold goods to Sun for 15,000 and payment received through cheque

16th : Paid rent by cheque 5,000

17th : Took loan from Mr. Storm 25,000

18th : Received commission from Mr. Air by cheque 5,000

19th : Wages paid 15,000

20th : Withdrew from bank for personal use 3,000

21st : Withdrew from bank for office use 10,000

22nd : Bought goods for 25,000

23rd : Cash paid into bank 30,000

24th : Interest paid through cheque 2,000

25th : Gave loan to Mr. Wind 10,000

26th : Amount paid to Mr. Storm on loan account 15,000

27th : Salary paid to Manager Mr. Liquid 5,000

28th : Postage paid 1,000

29th : Received cheque from Mr. Wind on loan account 3,000

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4. From the following Trial balances of Mr. Gagannath for the yearending on 31.12.2019, prepare Final Accounts with the closing stock of Rs.15,000.

<i>Particulars</i>	<i>Debit</i> `	<i>Credit</i> `
<i>Stock (1.1.2019)</i>	46,800	-
<i>Returns Inwards</i>	10,000	-
<i>Purchases</i>	2,40,000	-
<i>Rents & Rates</i>	4,000	-
<i>Sales</i>	-	3,21,900
<i>Debenture</i>	-	25,000
<i>Reserve Fund</i>	-	45,000
<i>Sundry Debtors</i>	60,000	-
<i>Salaries</i>	3,000	-
<i>Commission Received</i>	-	4,900
<i>Bad Debts</i>	2,000	-
<i>Bad Debts Provision</i>	-	6,000
<i>Wages</i>	6,000	-
<i>Return Outwards</i>	-	2,000
<i>Bills Receivable</i>	25,000	-
<i>Investments</i>	60,000	-
<i>Sundry Creditors</i>	-	20,000
<i>Bank Overdraft</i>	-	5,000
<i>Cash in Hand</i>	11,000	-
<i>Goodwill</i>	26,000	-
<i>Capital</i>	-	63,000
<i>Furniture</i>	15,000	-
<i>General Expenses</i>	2,000	-
<i>Discount (cr)</i>	-	18,000
	5,10,800	5,10,800

5. From the following Trial Balance of B & B Sons., Bhopal, prepare Trading and Profit & Loss Account for the year ended 2020 and a Balance Sheet as on that date after considering the following adjustments.

Trial Balance as on 31st March 2020

Particulars	Debit (Rs.)	Credit (Rs.)
Bharat's Capital	-----	2,00,000
Land & Buildings	87,000	
Plant & Machinery	17,500	
Goodwill	20,000	
Bharat's Drawing	22,600	
Cash in hand	1,795	
Stock as on April 2020	27,000	
Wages	10,000	
Purchases Less Returns	69,000	
Carriage Inward	600	
Traveller's Commission and Expenses	6,000	
Insurance Premium	2,000	
Motor Car	3,000	
Carriage Outward	1,400	
Sales Less Returns	----	94,000
Salaries	15,000	
Bank Charges	105	
Reserve for Doubtful Debts	---	1,500
Debtors	20,000	
Creditors	---	7,500
Total		

Adjustments:

- On 31st March 2020 the stock was valued at Rs.46,000.
- Insurance Premium amounting to Rs.800 is prepaid.
- Outstanding salaries amounted to Rs.1000.
- Depreciate Plant & Machinery @ 10% p.a. and Motor Car @ 20% p.a.
- Create a Reserve for Doubtful Debts @ 10% on Debtors.

6. From the following particulars taken out from the books of Prince Electricals prepare trading, P&L A/c for the year ended 31st March, 2022 and Balance Sheet as on that date.

Trial Balance

Particulars	Debit Amount Rs.	Credit Amount Rs.
Sundry Debtors	52,000	
Cash in Hand	2,392	
Creditors		22,000
Furniture & Machinery	27,500	
Motor car	22,000	
Purchases	1,45,000	
Sales		2,92,000
Sales Return	2,600	
Salaries	8,420	
Opening stock	11,400	
Motor Car Expenses	6,108	
Rent, Rates and Taxes	3,600	
Insurance Premium		
Paid on 1 st November 2021	2,400	
Cash at Bank	6,200	
Wages	23,600	
General Expenses	2,680	
Carriage Inward	2,040	
Carriage Outward	1,630	
Fuel & power	6,430	
Capital		20,000
Drawings	8,000	
Total	3,34,000	3,34,000

Adjustments:

- i) Closing stock amounted to Rs. 35,000.
- ii) Goods of Rs. 2,000 were distributed as free samples.
- iii) Further Bad debts of Rs. 2,000 and a provision for bad debts @ 5% on Debtors to be made.
- iv) Depreciate furniture & Machinery by 10% and motor car by 20%.
- v) Outstanding wages is Rs. 6,400.

7. From the following information prepare a cost sheet for the month of June, 2022 to show the prime cost, factory cost, cost of production and total cost for Ganesh manufacturing Ltd.

Particulars	Rs.
Direct Material	1,14,000
Sales	2,32,000
Factory rent and rates	5,000
Direct wages	57,000
Factory Heating and lighting	800
Telephone and postage charges	400
Plant repairs	2,000
Office salary	3,200
Advertising	3,000
Factory Managers salary	4,000
Legal charges	300
Director's remuneration	3,000
Office rent	1,000
Plant maintenance and description	2,500
Salary of salesman	5,000
Showroom rent	1,000

8. Prepare a Statement of Cost from the following information relating to Jay Traders, for the year ended 31.03.2020.

Particulars	Amount (Rs.)
Cost of Direct Materials	2,00,000
Sales	4,00,000
Direct Wages	1,00,000
Office Indirect Materials	5,000
Cost of special patterns	40,000
Postage and Telegram	2,000

Outstanding Chargeable expenses	2,000
Carriage Outward	2,500
Interest on Loan	2,150
Printing and Stationery	500
Factory Indirect Wages	3,000
Selling expenses	4,000
Travelling and Salesman's Salary	4,000
Factory Indirect Materials	1,000
Royalties	8,000
General Works Overheads	2,000

9. From the books of accounts of M/s. Roop Enterprises, following details have been extracted for the year ending 31st Dec, 2018:

Opening stock of raw material	2,88,000
Closing stock of raw material	3,00,000
Material purchased during the year	9,42,000
Direct labor cost	4,43,000
Indirect wages	54,000
Salaries to office staff	2,12,000
Freight outward	43,000
Repairs for plant and machinery	21,000
Factory rent and taxes	55,000
Office rent and taxes	32,000
Distribution expenses	76,000

Salesman salaries and commission	54,000
Manager's salary	60,000
(40% of his time used in factory & rest in office)	
Factory electricity charges	25,000
Office telephone expenses	5,000
Opening stock of finished goods	2,03,000
Closing stock of finished goods	1,12,000
Depreciation of office furniture	13,000

You are required to prepare cost sheet for the firm from the above given details.

10. The standard mix for each batch of 250 units of product A is:

Material A 15 kgs at Rs. 15 = Rs. 225

Materials B 10 kgs at Rs.10 = Rs. 100

25 kgs Rs. 325

During April, 10 batches were completed with actual consumption as following:

Material A 155 kgs at Rs. 2170

110 kgs at Rs. 1,210

265 kgs Rs. 3,380

Actual output was 2,400 units calculate:

- Material price variance.
- Material usage variance.
- Material cost variance.

11. The Standard mix to one unit of product is as follows:

Material	Standard		Actual	
	Quantity	Rate (Rs.)	Quantity	Rate (Rs.)
Material A	40	Rs.10/kg	20	Rs.35/kg
Material B	20	Rs.20/kg	10	Rs.20/kg
Material C	20	Rs.40/kg	30	Rs.30/kg

From the following information compute the following variances:

- Material Cost Variance
- Material Price Variance
- Material Usage Variance

12. The sales turnover and profit during two years were as follows:

Year	Sales (Rs.)	Profit (Rs.)
2020	4,20,000	45,000
2021	4,80,000	60,000

You are required to calculate:

- P/V ratio
- Sales required to earn a profit of Rs.120,000.
- Profit when sales are Rs.3,60,000.

13. A company producing a single product charges selling price per unit for Rs. 20. The marginal cost is Rs. 12 and fixed cost Rs. 800 p.a. calculate.

- P/v ratio.
- Break-even sales.
- Sales to earn profit of Rs. 1000.
- Profit at sales of Rs. 6,000.
- Contribution per unit.

14. Sales Rs.7,00,000; Profit Rs.70,000; Variable cost 70%.Find out:

- i) P/V ratio
- ii) Fixed Cost
- iii) Sales volume to earn a Profit of Rs.280, 000.

15. The Ram Ltd. Furnish the following information:

	First Half	Second Half
Sales	80,00,000	120,00,000
Profit	8,00,000	16,00,000

You are required to calculate.

- vi) P/V Ratio
- vii) Fixed expenses
- viii) BEP.
- ix) Sales to earn profit Rs. 20,00,000.
- x) Profit when sales are Rs.60,00,000.

16.

Saurashtra Co. Ltd. wishes to arrange overdraft facilities with its bankers from the period August to October 2010 when it will be manufacturing mostly for stock. Prepare a cash budget for the above period from the following data given below:

Month	Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)	Mfg. Exp. (Rs.)	Office Exp. (Rs.)	Selling Exp. (Rs.)
June	1,80,000	1,24,800	12,000	3,000	2,000	2,000
July	1,92,000	1,44,000	14,000	4,000	1,000	4,000
August	1,08,000	2,43,000	11,000	3,000	1,500	2,000
September	1,74,000	2,46,000	12,000	4,500	2,000	5,000
October	1,26,000	2,68,000	15,000	5,000	2,500	4,000
November	1,40,000	2,80,000	17,000	5,500	3,000	4,500
December	1,60,000	3,00,000	18,000	6,000	3,000	5,000

Additional Information:

- (a) Cash on hand 1-08-2010 Rs.25,000.
- (b) 50% of credit sales are realized in the month following the sale and the remaining 50% in the second month following. Creditors are paid in the month following the month of purchase.
- (c) Lag in payment of manufacturing expenses half month.
- (d) Lag in payment of other expenses one month.

17.

S. K. Brothers wish to approach the bankers for temporary overdraft facility for the period from October 2010 to December 2010. During the period of this period of these three months, the firm will be manufacturing mostly for stock. You are required to prepare a cash budget for the above period.

Month	Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)
August	3,60,000	2,49,600	24,000
September	3,84,000	2,88,000	28,000
October	2,16,000	4,86,000	22,000
November	3,48,000	4,92,000	20,000
December	2,52,000	5,36,000	30,000

- (a) 50% of credit sales are realized in the month following the sales and remaining 50% in the second following.
- (b) Creditors are paid in the month following the month of purchase
- (c) Estimated cash as on 1-10-2010 is Rs.50,000.

18.

| Prepare a cash Budget of R.M.C. LTD. for April, May and June 2012:

Months	Sales(Rs.)	Purchases(Rs.)	Wages(Rs.)	Expenses(Rs.)
Jan.(Actual)	80,000	45,000	20,000	5,000
Feb.(Actual)	80,000	40,000	18,000	6,000
March (Actual)	75,000	42,000	22,000	6,000
April (Budget)	90,000	50,000	24,000	7,000
May(Budget)	85,000	45,000	20,000	6,000
June(Budget)	80,000	35,000	18,000	5,000

Additional Information:

- (i) 10% of the purchases and 20% of sales are for cash.
- (ii) The average collection period of the company is $\frac{1}{2}$ month and the credit purchases are paid regularly after one month.
- (iii) Wages are paid half monthly and the rent of Rs. 500 included in expenses is paid monthly and other expenses are paid after one month lag.
- (iv) Cash balance on April 1,2012 may be assumed to be Rs.15,000

19.

The expenses budgeted for production of 1,000 units in a factory are furnished below:

Particulars	Per Unit Rs.
Material Cost	700
Labour Cost	250
Variable overheads	200
Selling expenses (20% fixed)	130
Administrative expenses (Rs. 2,00,000)	200
	<hr/>
Total Cost	1,480

Prepare a budget for production of 600 units and 800 units assuming administrative expenses are rigid for all level of production.

20.

Prepare a Flexible budget for overheads on the basis of the following data. Ascertain the overhead rates at 50% and 60% capacity.

Variable overheads:	At 60% capacity (Rs)
Indirect Material	6,000
Labour	18,000
Semi-variable overheads:	
Electricity: (40% Fixed & 60% variable)	30,000
Repairs: (80% fixed & 20% Variable)	3,000
Fixed overheads:	
Depreciation	16,500
Insurance	4,500
Salaries	15,000
Total overheads	93,000
Estimated direct labour hours	1,86,000

21. Calculate :

- A) Labour Cost Variance
- B) Labour Cost Variance
- C) Labour Cost Variance

The following are the details

Material	Standard			Actual		
	Hours	Rate	Amt.	Hours	Rate	Amt.
A	60	10	600	64	10	640
B	80	8	640	64	8.5	544
Total	140		1240	128		1184
