

**AVINASHILINGAM INSTITUTE FOR HOME SCIENCE AND HIGHER EDUCATION  
FOR WOMEN, COIMBATORE – 641 043**

**Master's Degree Examination – November 2017**

**I Semester**

**Class : I PG**

**Major : MBA (IT Organization and Administration)**

**Maximum Marks: 60**

**Time: 3 Hours**

**17MBMC02 ACCOUNTING FOR IT ORGANISATIONS**

**PART – A**

**10 × ½ = 5**

**Choose the Correct Answer**

1. The use of management accounting is  
a. Compulsory      b. Optional      c. Obligatory      d. Formulate
2. Accounting concepts are based on  
a. certain assumptions      b. certain facts and figures      c. certain accounting records  
d. certain convention
3. Contribution represents pool of resources available for meeting all costs other than \_\_\_\_\_  
a. Fixed costs      b. Variable costs      c. Labour costs      d. Material costs
4. Labour Efficiency Standards are decided by considering following factor(s)  
a. Records of past performance      b. Time & Motion Study      c. Trial Runs      d. All of the above
5. R&D budget and Capital expenditure budget are examples of  
a. Short-term budget      b. Current budget      c. Long-term budget      d. None of the above
6. A budgeting process which demands each manager to justify his entire budget in detail from beginning is  
a. Functional budget      b. Master budget      c. Zero base budgeting      d. Sales budget
7. A started business with cash 5000, building 5000, furniture 2000, having depreciation of 10% on building. The total amount of capital comes to Rs. \_\_\_\_\_  
a. 11,500      b. 12,000      c. 12,500      d. 13,000
8. If the profit volume ratio is 25%, then the variable cost is equal to \_\_\_\_\_ of sales value.  
a. 0.25      b. 0.50      c. 0.75      d. 0.90
9. In absorption costing, managerial decisions are guided by net profit but in marginal costing, decisions are guided by -----  
a) Contribution      b) Key factor      c) BEP      d) Margin of safety
10. Under Gross working capital concept the working capital is equal to \_\_\_\_\_  
a. total current liabilities      b. total current assets      c. surplus current assets  
d. current assets less current liabilities

**PART – B**

**5 × 4 = 20**

**Answer the following**

**Answer should not exceed 200 words or one page**

11.a. The following balances are extracted from the books of Mr. Chinnapan as on 30.6.2012. Prepare a Trial Balance as on 30.6.2012.

Particulars	Amount (Rs.)	Particulars	Amount(Rs.)
Capital	20000	Salaries	5000
Drawings	5000	Rent	2000
Purchases	90000	Taxes	300
Sales	130000	Insurance	600
Returns Inwards	700	Sundry Debtors	8000
Return outwards	900	S. Creditors	6000
Duty on purchases	2000	Cash in hand	500
Carriage inwards	1100	Cash at bank	2500
Carriage Outwards	800	Furniture	1000
Stock on 1.7.2011	11000	Land	20400
Motor van	6000		

(OR)

11.b. Prepare a trading account for the year ended 31<sup>st</sup> December,2011. Opening Stock Rs.5730; Purchases Rs.158000; Return outwards Rs. 900; Sales Rs.262000; Return Inwards Rs.600. Closing Stock was valued at Rs.8600.

12.a. Calculate funds from operations from the following profit & loss account:-

**Profit & Loss Account**

Particulars	Rs.	Particulars	Rs.
Expenses paid and outstanding	3,00,000	By Gross Profit	4,50,000
Depreciation	70,000	By Gain on Sale of Land	60,000
Loss on sale of machine	4,000		
Discount	200		
Goodwill	20,000		
Net Profit	1,15,800		
	5,10,000		5,10,000

(OR)

12.b. From the following information calculate trend analysis and explain the reason.

Year	Sales	Stock in hand	Profit before tax
Rupees in Lakhs			
2011	1881	709	321
2012	2340	781	435
2013	2655	816	458
2014	3021	944	527
2015	3768	1154	672

13.a. Define cost sheet. Mention its uses.(OR)

13.b. List out the methods of costing.

14.a. The following information relating to a company is given to you.

Sales	Rs.4,00,000
Fixed Cost	Rs.1,80,000
Variable Cost	Rs.2,50,000

Ascertain how much the value of sales must be increased for the company to break-even. (OR)

- 14.b. From the following particulars find out BEP. What will be the selling price per unit if B.E.P. is to be brought down to 9000 units?  
 Variable cost per unit Rs.75;  
 Fixed expenses Rs.270000;  
 Selling price per unit Rs.100.

15.a. Larsen Ltd. Plans to sell 110000 units of a certain product line in the first fiscal quarter, 120000 units in the second quarter, 130000 units in the third quarter and 150000 units in the fourth quarter and 140000 units in the first quarter of the following year. At the beginning of the first quarter of the current year, there are 14000 units of product in stock. At the end of each quarter, the company plans to have an inventory equal to one-fifth of the sales for the next fiscal quarter. How many units must be manufactured in each quarter of the current year? (OR)

15.b. Parker Ltd. manufacturers two brands of pen Hero, & Zero. The sales department of the company has three departments in different areas of the country.

The sales budgets for the year ending 31<sup>st</sup> December 1985 were: Hero Department I 300000; Department II 562500; Department III 180000 and Zero Department I 400000; Department II 600000; and Department III 20,000. Sales prices are Rs.3 and Rs.1.20 in all departments.

It is estimated that by forced sales promotion the sale of 'Zero' in department I will increase by 175000. It is also expected that by increasing production and arranging extensive advertisement, department III will be enabled to increase the sale of 'Zero' by Rs.50,000.

It is recognized that the estimated sales by department II represent an unsatisfactory target. It is agreed to increase both estimates by 20%.

Prepare a Sales budget for the year 1986.

**Part C**

5 × 7 = 35

**Answer the following (Q20 is Compulsory)**

**Answer should not exceed 600 words or three pages**

16.a. Briefly explain the basic accounting concepts and conventions. (OR)

16.b. The following is the Trial Balance of Dhandapani of Chennai as on 31<sup>st</sup> December, 2006.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
<b>Debit balances:</b>		Carriage on Sales	1600
Opening Storck	6200	Repairs	1800
Buildings	34000	Sundry Debtors	12000
Furniture	2000	Bad Debts	240
Purchases	42400	Cash in hand	2600
Salaries	4400	Return inwards	2040
Rent	1200		<u>124080</u>
Miscellaneous expenses	1000	<b>Credit Balances:</b>	82920
Postage	560	Sales	24000
Stationery	520	Capital	6000
Wages	10400	Bank Loan	9840
Freight on purchases	1120	Sundry Creditors	840
		Return outwards	260
		Interest	220
		Dividend	<u>124080</u>

The value of stock on 31.12.2006 was estimated at Rs.5000. You are required to make the necessary closing entries and prepare trading, profit and loss account and a Balance Sheet as on 31<sup>st</sup> December 2006.

- 17.a. The following are the summarized balance sheets of ITC Ltd., as at 31<sup>st</sup> March, 2013 and 2014.

Liabilities	2013 Rs.	2014 Rs.	Assets	2013 Rs.	2014 Rs.
Share Capital	450000	450000	Fixed Assets	400000	320000
General Reserve	300000	310000	Investments	50000	60000
Profit and Loss A/c	56000	68000	Stock	240000	210000
Sundry Creditors	168000	134000	Sundry Debtors	210000	455000
Provision for taxation	75000	10000	Bank	149000	197000
Mortgage loan	-	270000			
	1049000	1242000		1049000	1242000

Additional Information:

- Investment costing Rs.8000 was sold during the year for Rs.8500 and further investments were purchased during the year for Rs.18000.
  - The net profit for the year was Rs.62000 after charging depreciation on fixed assets Rs.70000 for the year and provision for taxation Rs.10000.
  - During the year part of fixed assets costing Rs.10000 was disposed for Rs.12000 and net profit is included in the profit and loss account.
  - Dividend paid during the year amounted to Rs.40000.
- Prepare a statement of the source and application of funds for the year ended 31<sup>st</sup> March 2014. (OR)

- 17.b. Bata Ltd. supplies you the following balance on 31<sup>st</sup> December 1985 and 1986.

Liabilities	2007 Rs.	2008 Rs.	Assets	2007 Rs.	2008 Rs.
Share capital	70,000	74,000	Cash	9,000	7,800
Debentures	12,000	6,000	Debtors	14,900	17,700
Reserve for doubtful debts	700	800	Stock	49,200	42,700
Trade Creditors	10,360	11,840	Land	20,000	30,000
			Goodwill	10,000	5,000
	1,03,100	1,03,200		1,03,100	1,03,200

- Dividend paid Rs. 3,500
- Land was purchased Rs. 10,000
- Amortization of goodwill Rs. 5,000
- Debentures paid off Rs. 6,000

You are required to prepare a Cash flow statement.

- 18.a. Explain the various classification of cost. (OR)

- 18.b. Describe the differences between management accounting and Cost accounting.

- 19.a. From the following data calculate: (i) P/V ratio (ii) Profit when sales are Rs.20000 (iii) New break - even point if selling price is reduced by 20%  
Fixed expenses Rs.4000  
Break -even sales Rs.10000 (OR)

19.b. ABC Ltd. Wishes to arrange overdraft facilities with its bankers during the period April to June, 2007 when it will be manufacturing mostly for stock. Prepare a cash budget for the above period from the following data, indicating the extent of the bank facilities the company will require at the end of each month:

	Credit Sales	Purchases	Wages
February 2007	180000	124800	12000
March.	192000	144000	14000
April	108000	243000	11000
May	174000	246000	10000
June	126000	268000	15000

(b). 50 per cent of credit sales are realized in the month following the sales and the remaining 50 per cent in the second month following.

Creditors are paid in the month following the month of purchase.

(c) Cash at bank on 1.4.2007(estimated) Rs.25000.

20. *Question No. 20 is compulsory:-*  
Case Study - Compulsory Questions

The Standard time and rate for unit component are given below:

Standard hours 20.

Standard rate Rs.5 per hour.

Actual data and related information are as under:

Actual production 1000 units: Actual hours 20,500 hours.

Actual rate per hour = Rs.4.80.

Calculate (i) Labour cost variance (ii) Labour efficiency variance (iii) Labour rate variance.