

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER – I - EXAMINATION – SUMMER 2022

Subject Code: 4519201**Date: 28/07/2022****Subject Name: Management Accounting****Time: 02:30 PM TO 05:30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

- Q.1** Explain the following terms in brief: **14**
- (a) Functions of Accounting
 - (b) Trend analysis
 - (c) Qualitative characteristics of financial statements
 - (d) Computerized Accounting
 - (e) Fundamental accounting assumptions
 - (f) Rules of Real account & Nominal account.
 - (g) Users of Financial Statement

- Q.2 (a)** Differentiate between Financial Accounting and Management Accounting. **07**

- (b)** Journalize the below entries in the books of Rajini. **07**

January 2018

- 1st Rajini started business with a capital of Rs. 50,000
 2nd She purchased furniture for Rs. 5,000
 3rd She bought goods on credit from Vinod for Rs. 8,000
 14th She sold goods to Suresh for Rs. 5,000
 15th She received cash from Suresh Rs. 3,000
 18th She purchased goods for cash Rs. 12,000
 25th She sold goods for cash Rs. 8,000
 28th She paid rent Rs. 1,200.
 31st She paid Vinod Rs. 3,000 on account.

OR

- (b)** Using the following data complete the balance sheet. **07**

Gross profit (20% of sales)	Rs. 60000
Share capital	Rs. 50000
Credit sales to total sales	80%
Total assets turnover (on sales)	3 times
Closing stock turnover (to cost of sales)	8 times
Average collection period (for 360 days)	18 days
Current ratio	1.6
Long term debt to equity	40%

Balance Sheet

Share capital ?	Fixed assets ?
Long term debt ?	Stock ?
Creditors ?	Debtors ?
	Cash ?
? ?	? ?

- Q.3 (a)** What do you mean by Accounting concepts? Explain any 5 accounting concepts in detail. **07**
- (b)** You are required to prepare Vertical Profit & Loss account (with schedules) of Sanjay Industries Ltd. for the year ending 31st March, 2018. **07**

Particulars	Debit	Credit
Stock, 1 st April 2017	675000	
Sales		3060000
Wages	270000	
Share capital (Authorised capital 200000 shares of Rs. 10 each)		900000
Discount		27000
Purchases	2205000	
Carriage inward	8550	
Purchase returns		90000
Patents & trademark	43200	
Salaries	67500	
Bills receivable	45000	
Sundry expenses	63450	
Bills payable		63000
Rent	36000	
Debtors & Creditors	247500	157500
Plant & Machinery	261000	
Furniture & Fittings	153000	
Cash at bank	415800	
General reserve		139500
Profit & loss account, 31 st March 2017		54000
Total	4491000	4491000

Adjustments:

1. Outstanding rent amounted to Rs. 7200 while outstanding salaries Rs. 8100 at the end of the year.
2. Make a provision for doubtful debts amounting to Rs. 4590.
3. Stock on 31st March 2018 was valued at Rs. 792000.
4. Depreciate plant and machinery at 14% and furniture & fittings at 18%.
5. Amortise patents and trademarks at 5%.
6. Provide for managerial remuneration at 10% of the net profits before tax.
7. Make a provision for income tax at 35%.
8. The board of directors proposes a dividend at 10% for the year ended 31st March 2018 after transfer to General reserve at 5% of profit after tax.

OR

- Q.3 (a)** 'Costing system has become an essential tool in the hands of management.' Comment. **07**
- (b)** On 1-1-2010, Ram purchased machinery of 72,000 and spent 6,000 for Installation and 12,000 for repairs. **07**
On 30-6-2012, he sold a part of the machinery costing Rs. 18,000 for Rs. 12,000. New machinery was purchased on the same day for Rs. 30,000 and

spent Rs. 6,000 for transportation.

The depreciation was charged at 10% per annum on the original cost method. Show the machinery and depreciation account for 5 years.

- Q.4 (a)** Marginal costing rewards sales whereas absorption costing rewards production. **07**
 Comment.
- (b)** A product is finally obtained after it passes through three distinct processes. The **07**
 following information is available from the cost records.

	Process I	Process II	Process III	Total
	Rs.	Rs.	Rs.	Rs.
Materials	2600	2000	1025	5625
Direct wages	2250	3680	1400	7330
Production overheads	---	---	---	7330

500units @ Rs. 4 per unit were introduced in process I. Production overheads are absorbed as a percentage of direct wages.

The actual output and normal loss of the respective processes are given below:

	Output (units)	Normal loss as a percentage of input	Value of scrap (per unit)
Process I	450	10%	Rs. 2
Process II	340	20%	Rs. 4
Process III	270	25%	Rs. 5

Prepare the process accounts and the abnormal gain/ loss accounts.

OR

- Q.4 (a)** Write a short note on IFRS **07**
- (b)** From the following Profit and Loss account, you are required to compute cash **07**
 from operations.

Profit and Loss account for the year ended 31-03-2018

Particulars	Rs.	Particulars	Rs.
To Salaries	20000	By Gross profit	100000
To Rent	4000	By Profit on sale of Land	20000
To Depreciation	8000	By Income tax refund	12000
To Loss on sale of machinery	4000		
To Goodwill written off	16000		
To Dividend proposed	20000		
To Tax provision	20000		
To Net profit	40000		
	132000		132000

Q.5 CASE STUDY

A company operates a hotel. It is spread over six floors of a building excluding the ground floor with a restaurant in the sixth floor. On the ground floor, the hotel operates a sports centre including a swimming pool and a shopping arcade.

The hotel has a capacity of 100 single rooms and 20 double rooms. The average occupancy of both single and double rooms is expected to be 80% throughout the year of 365 days. The rent for double room has been fixed at 125% of the rent of a single room. Cost are as under:

Variable costs:	Single rooms Rs. 220 each per day
	Double rooms Rs. 350 each per day
Fixed costs:	Single rooms Rs. 120 each per day
	Double rooms Rs. 250 each per day

The income and costs relating to the service centres are as under:

(a) Restaurant:

Estimated average sales per day Rs. 25000

Contribution 30% of sales

Fixed costs Rs. 800000 per annum.

(b) Sports center:

Average number of persons expected to use the centre per day is 50.

Average contribution per day per person is Rs. 15.

Fixed costs Rs. 400000 per annum

(c) Shopping arcade:

Average contribution per month is Rs. 35000

Fixed costs Rs. 400000 per annum.

- (a) Calculate the rent chargeable for single and double rooms per day in such a way that the hotel earns a margin of safety of 20% on hiring of rooms. 07
- (b) The hotel wants to reserve the normal occupancy of ten single rooms for its regular customer by allowing a discount of 10% on room rent. What increase in occupancy ratio is required in respect of the remaining rooms to earn the total profit of above 50 lakhs? 07

OR

- Q.5 (a) Evaluate the profitability of the three services centres and work for the total profit of the hotel per annum based on the rent of Rs. 460 per day for single room and Rs. 575 per day for double room. 07
- (b) An associate company wishes to take the entire complex hotel on lease for a total rent of Rs. 175 lacs for five years. The associate company is prepared to pay the entire lease rent in advance. Taking the capital recovery factor for 10% of return for 5 years at 3.79, advise the management of the hotel company whether or not leasing arrangement should be entered into. 07
