

Seat No.: \_\_\_\_\_

Enrolment No. \_\_\_\_\_

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA (PART TIME) – SEMESTER 1 – EXAMINATION – WINTER 2018**

**Subject Code: 4519904**

**Date: 24/12/2018**

**Subject Name: Management Accounting (MA)**

**Time: 10:30AM TO 01:30PM**

**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) Sunk cost & Opportunity cost
- (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) What do you mean by Accounting concepts? Explain any 5 accounting concepts in detail. **07**

**OR**

(b) 'Costing system has become an essential tool in the hands of management.' Comment. **07**

**Q.3** (a) Write a short note on IFRS. **07**

(b) Marginal costing rewards sales whereas absorption costing rewards production. Comment. **07**

**OR**

**Q.3** (a) A product is finally obtained after it passes through three distinct processes. The following information is available from the cost records. **07**

	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.

- (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 <sup>st</sup> 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 <sup>st</sup> March 2017		54000
<b>Total</b>	<b>4491000</b>	<b>4491000</b>

#### 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 31<sup>st</sup> 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%.

The board of directors proposes a dividend at 10% for the year ended 31<sup>st</sup> March 2018 after transfer to General reserve at 5% of profit after tax.

#### Q.4

#### CASE STUDY

Kajal Patel has decided to purchase a personal computer. She has narrowed the choice to two: HP and Dell. Both brands have the same processing speed, 6.4 gigabytes of hard-disk capacity, a 3.5 inch disk drive, a CD ROM drive and each comes with the same basic software support package. Both come from mail-order companies with good reputations. The selling price for each is identical. After some review, Kajal discovers that the cost of operating and maintaining HP over a three-year period is estimated to be Rs. 3,000. For Dell, the operating and maintenance cost is Rs. 6,000. The sales agent for HP, emphasized the lower operating and maintenance costs. The agent for Dell,

however, emphasized the service reputation of the product and the faster delivery time. (Dell can be purchased and delivered one week sooner than HP) Based on all the available information, Kajal has decided to buy Dell.

- (a) What is the total product purchased by Kajal? **07**  
 (b) When asked why she decided to buy Dell, Kajal responded, "I think that Dell offers more value than HP". What are the possible sources of this greater value? What implications does this have for the management accounting information system? **07**

**OR**

- Q.4** (a) How does the strategic positioning differ for the two companies? **07**  
 (b) Suppose that Kajal's decision was prompted mostly by the desire to receive the computer quickly. Informed that it was losing sales because of the longer time to produce and deliver its products, the management of the company producing HP decided to improve delivery performance by improving its internal processes. These improvements decreased the number of defective units and the time required to produce its product. Consequently, delivery time and costs both decreased and the company was able to lower its prices on HP. Explain how these actions translate into strengthening the competitive position of the HP PC relative to the Dell PC. Also discuss the implications for the management accounting information system. **07**

**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**

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