(7 pages)

S.No. 8583 **P 22 IB CC 13**

(For candidates admitted from 2022–2023 onwards)

M.I.B. DEGREE EXAMINATION, NOVEMBER 2023.

International Business

ACCOUNTING FOR MANAGERS

Time : Three hours Maximum : 75 marks

SECTION A — (20 Marks)

Answer ALL questions.

I. (A) Multiple choice questions : (5 × 1 = 5)

1. The long term assets that have no physical existence but are rights that have value is known as ————
   (a) Current assets
   (b) Fixed assets
   (c) Intangible assets
   (d) Investments

2. The ideal current ratio is ————
   (a) 5 (b) 4
   (c) 3 (d) 2

3. Contribution is ————
   (a) Excess of sales over total cost
   (b) Excess of cost of sales over sales
   (c) Excess of sales over fixed cost
   (d) Excess of sales over variable cost

4. A production budget is based on
   (a) Cash budget (b) Overheads budget
   (c) Sales budget (d) Purchase budget

5. Capital budgeting decisions are based on
   (a) Incremental cash flows
   (b) Incremental profit
   (c) Incremental assets
   (d) Decremental assets

(B) Fill in the blanks : (5 × 1 = 5)

6. The assets that can be convened into cash within a short period are known as ————

7. ———— is the difference between current assets and current liabilities.

8. Contribution is the difference between Sales and ———— cost.

9. ———— budget is for different levels of activity.

10. ———— is the term that describes the amount of time taken for a capital budgeting project to recover its initial investment.

II. Answer the following questions : (5 × 2 = 10)

11. What are the objectives of accounting?

12. What are Profitability ratios?

13. What do you understand by contribution?

14. What IS forecasting?

15. What is IRR?

SECTION B — (5 × 5 = 25)

Answer ALL the questions, choosing either (a) or (b).

16. (a) 'Preparation if final accounts is the culmination of the accounting process' – Explain.

Or

(b) A machine purchased on 1st July 2018 at a cost of Rs.14,000 and Rs.1,000 was spent on its installation. The depreciation is written off at 10% on the original cost every year. The books are closed on 31st December each year. The machine was sold for Rs.9,500 on 31st March 2022. Show the machinery account for all the years.

17. (a) Following are the ratios to the trading activities of X Ltd.,

Debtors velocity – 3 months; Stock velocity 8 months; Gross profit ratio – 25%. Gross profit for the year amounted to Rs.2,00,ooo Closing stock of the year is Rs.5,000 above the opening stock. Find out

(i) Sundry debtors

(ii) Closing stock.

Or

(b) From the following information find out

(i) Current assets

(ii) Current liabilities and

(iii) Value of inventory Current ratio – 3.5:

Liquid ratio – 2.5;

Working capital – Rs.1,00,000.

18. (a) Profit volume ratio is 40%; Margin of safety is 50%; Sales – Rs. 800000; Find out

(i) Net profit

(ii) BEP.

Or

(b) Sales are Rs.1,50,000, producing a profit of Rs.4,000 in 1st period. Sales are Rs.1,90,000 producing a profit of Rs.12,000 in 2nd period. Determine BEP.

19. (a) Explain the significance of functional budgets.

Or

(b) Prepare a production budget for months ending 32.3.2021 for a factory producing 5 products, on the basis of the following information :

Type of product	Opening Stock (units)	Budgeted sales (units)	Desired closing stock (units)
A	5,000	20,000	4,000
B	6,000	25,000	6,000
C	10,000	50,000	11,000
D	1,000	10,000	1,000
E	2,000	5,000	5,000

20. (a) A company has an investment opportunity costing Rs.30,000 with the following expected net cash flow (after taxes and before depreciation).

Year	Net cash inflow (Rs.)	Year	Net cash inflow (Rs.)
1	6,000	5	7,000
2	6,000	6	8,000
3	7,000	7	9,000
4	8,000		

Determine the pay-back period.

Or

(b) A project costs Rs.50,000 and has a scrap value of Rs.10,000. Its stream of income before depreciation and taxes during the first five years is Rs.10,000, Rs.12,000, Rs,14,000, Rs.16,000 and Rs.20,000. Assume a 50% tax rate and depreciation on straight line basis. Calculate the accounting rate of return.

SECTION C — (3 × 10 = 30)

Answer any THREE out of Five questions,.

21. Explain various accounting concepts.

22. From the following information make out a statement of proprietors funds with as many details as possible :

Current ratio – 2.5; Liquid ratio – 1.5; Proprietary ratio (fixed assets/proprietary fund) 075; working capital – Rs.60,000; Reserves and surplus – Rs.40.000; Bank overdraft – Rs.10,000; there is no long-term loan or fictitious asset.

23. From the following information relating to X Ltd. you are required to find out

(a) P/V Ratio

(b) Breakeven point

(c) Profit

(d) Margin of safety and

(e) Volume of sales to earn profit of Rs.6,000. Total fixed costs – Rs.4,500; Total variable costs – Rs.7,500; Tota' sales – Rs. 15,000.

24. A company at present operating at 50% capacity produces and sells 10,000 units. The unit cost is Rs.180 and the selling price is Rs.200. The expenses per unit are given Direct material – Rs.100; Direct labour – Rs.30; Factory expenses (60% variable) – Rs.30; Administrative expenses (40% fixed) Rs,20. Prepare a flexible budget at 80% capacity.

25. Discuss the meaning of 'Risk' and 'Uncertainty' in the context of capital budgeting.
