No. of Printed Pages: 7

## MBA IN INTERNATIONAL HOSPITALITY MANAGEMENT (MBA IHM)

## **Term-End Examination**

**December**, 2014

## **MHY-012 : ACCOUNTING FOR MANAGERS**

Time : 3 hours

Maximum Marks : 100

**Note:** Attempt any **five** questions. All questions carry equal marks.

1. Write short notes on the following :

- (a) Wasting assets
- (b) Accounting equations
- (c) Out of pocket costs
- (d) Systems of accounting
- (e) Absorption costing

**2.** Briefly discuss the following :

- (a) Contingent liability
- (b) Break-even point
- (c) Owner's equity
- (d) Financial leverage
- (e) Margin of safety

MHY-012

1

5×4=20

 $5 \times 4 = 20$ 

P.T.O.

**MHY-012** 

3. From the following ledger balances of Mr. Khusro prepare Trading a/c, Profit and Loss a/c for the current year ended March 31<sup>st</sup> 2009 and a Balance Sheet as on that day, after making necessary adjustments :

Amount (₹)
8,00,000
60,000
2,00,000
50,000
-
1,50,000
8,20,000
20,000
2,00,000
25,000
8,000
12,000
40,000
5,000
95,000
12,00,000
10,000
8,000
16,000
52,000
10,000
2,10,000
62,000
2,05,000

**MHY-012** 

2

Adjustments are required for the following :

- (a) Closing Stock on 31.3.2009 was valued at
  ₹ 1,40,000.
- (b) Create provision for bad and doubtful debts at the rate of 5% on sundry debtors.
- (c) Provision for depreciation on furniture and fixtures at 10% per annum and on plant and machinery at 20% per annum.
- (d) Insurance paid in advance is  $\gtrless$  1,000.
- (e) Commission received in arrears is  $\gtrless$  5,000.
- (f) Salaries payable are  $\neq$  15,000.
- 4. Distinguish between marginal costing and standard costing. Also examine their relative appropriateness in tour operation business.
- 5. Describe in brief the procedure of determining cash flow from operating activities as per indirect method of AS 3. Take an appropriate example to illustrate your answer.
- 6. The Holiday Makers Tour Company Ltd. makes and sells two types of tour packages A and B. Expected data from the first quarter of operations are:

Particulars	Tour 'A'	Tour 'B'
Expected Sales (Units)	08	12
Selling Price (₹)	45,000	55,000
Variable Costs (₹)	30,000	35,000

MHY-012

P.T.O.

20

20

The total fixed costs are expected to be  $\gtrless$  3,60,000 for the quarter. You are required to answer the following :

- (a) If sales, prices and costs are as expected, what will be the operating income and break-even volume in sales revenue?
- (b) Assume that the prices and the costs were as expected but Holiday Makers sold 12 units of 'A' and 8 units of 'B'. Recalculate the operating income and break-even volume in sales revenue.
- From the books of M/s Avanish & Co. the following details have been extracted for the year ending March 31<sup>st</sup> 2011 :

20

Particulars	Amount (₹)
Stock of material – Opening	1,88,000
– Closing	2,00,000
Material purchased during the year	8,32,000
Direct wages paid	2,38,400
Indirect wages paid	16,000
Salaries to administrative staff	40,000
Freight – inward	32,000
- outward	20,000
Sales	15,79,800
Cash discount allowed	14,000
Bad debts written off	18,800
Repairs of plant and machinery	42,400
Rent, rates and taxes – Factory	12,000
– Office	6,400

MHY-012

Particulars	Amount (₹)
Travelling expenses	12,400
Salesmen's salaries and commissions	33,600
Depreciation written off – Plant	28,900
– Furniture	2,400
Directors fees	24,000
Electricity charges (Factory)	48,000
Fuel (for boiler)	64,000
Sale of scrap	500
General charges	24,800
Manager's salary	48,000

The Manager's time is shared between the factory and office in the ratio of 20:80. From the above details, you are required to prepare a cost sheet to show :

- (a) Prime Cost
- (b) Factory Cost
- (c) Cost of Production
- (d) Total Cost
- (e) **Profit**

8. Mr. Sarvanan has recently set up a restaurant in a prominent shopping complex. His business is good, but because of heavy personal withdrawals he is facing a liquidity problem. To get a better handle over his cash flows, he requests you to prepare a cash budget for the next quarter, January through March, for him. He has provided you the following information :

MHY-012

P.T.O.

- (a) Sales are expected to be ₹ 50,000 in January; ₹ 55,000 in February and ₹ 60,000 in March. All Sales will be in cash.
- (b) His estimated purchases are: ₹ 20,000 in January; ₹ 22,000 in February and ₹ 25,000 in March. Payments for purchases will be made after a lag of one month. Outstanding on account of purchases in December last are ₹ 22,000.
- (c) The rent per month is ₹ 5,000 and his personal withdrawal per month is ₹ 5,000.
- (d) Salaries and other expenses, payable in cash are expected to be ₹ 15,000 in January; ₹ 18,000 in February and ₹ 20,000 in March.
- (e) He plans to buy furniture worth ₹ 25,000 on cash payment in February.
- (f) The cash balance at present is ₹ 5,000. His target cash payment however is ₹ 8,000.

What will be the surplus/deficit of cash in relation to his target cash balance?

- 9. A manufacturing company has an expected usage of 50,000 units of a certain product during the next year. The cost of processing an order is ₹ 20 and the carrying cost per unit is ₹ 0.50 for one year. Lead time on an order is five days and the company will keep a reserve supply of two days' usage. You are required to calculate
  - (a) the economic order quantity,
  - (b) the reorder point (assume a 250-day year)

20

MHY-012

## 10. Explain the following briefly :

- (a) Concept, need, importance and scope of management accounting
- (b) Meaning, need and objectives of budgetary control