# MBA IN INTERNATIONAL HOSPITALITY MANAGEMENT (MBA IHM) <br> Term-End Examination <br> 00181 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: $5 \times 4=20$
(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
3. From the following ledger balances of Mr. Khusro prepare Trading $a / c$, Profit and Loss $a / c$ for the current year ended March $31^{\text {st }} 2009$ and a Balance Sheet as on that day, after making necessary adjustments :

| Particulars | Amount (₹) |
| :--- | ---: |
| Capital | $8,00,000$ |
| Drawings | 60,000 |
| Plant and Machinery (1.4.2008) | $2,00,000$ |
| Plant and Machinery | 50,000 |
| (additions 1.7.2008) |  |
| Stock on 1.4.2008 | $1,50,000$ |
| Purchases during the year | $8,20,000$ |
| Carriage on purchases | 20,000 |
| Furniture and fixtures | $2,00,000$ |
| Carriage on sales | 25,000 |
| Sundry expenses | 8,000 |
| Printing, stationery and postage | 12,000 |
| Rent, rates and taxes | 40,000 |
| Bad debts | 5,000 |
| Sundry creditors | 95,000 |
| Sales | $12,00,000$ |
| Purchases returns | 10,000 |
| Provision for bad and doubtful | 8,000 |
| debts (1.4.2008) | 16,000 |
| Commission received | 52,000 |
| Sundry debtors | 10,000 |
| Insurance charges | $2,10,000$ |
| Salaries | 62,000 |
| Cash in hand | $2,05,000$ |
| Cash at bank |  |

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 ₹ 1,000 .
(e) Commission received in arrears is ₹ 5,000 .
(f) Salaries payable are ₹ 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.

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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 :

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

The total fixed costs are expected to be ₹ $3,60,000$ 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.
7. From the books of $\mathrm{M} / \mathrm{s}$ Avanish \& Co. the following details have been extracted for the year ending March $31^{\text {st }} 2011$ :

| Particulars | Amount (₹) |
| :--- | ---: |
| Stock of material - Opening | $1,88,000$ |
|  | $2,00,000$ |
| Material purchased during the | $8,32,000$ |
| year |  |
| 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 |
|  | 6,400 |


| Particulars | Amount (₹) |
| :--- | ---: |
| Travelling expenses | 12,400 |
| Salesmen's salaries and | 33,600 |
| commissions |  |
| Depreciation written off - Plant | 28,900 |
|  | - Furniture |
| Directors fees | 24,400 |
| 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: 20
(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)
10. Explain the following briefly : ..... 20
(a) Concept, need, importance and scope of management accounting
(b) Meaning, need and objectives of budgetary control

