

Mid-West University
Examinations Management Office
Surkhet, Nepal
End-Semester Examination-2080
Master of Business Studies (MBS)
Semester - I

Subject: Accounting for Managers

Course Code: MGMT 512

Full Marks: 60 Pass Marks: 30

Time: 3: 00 Hours

You are required to answer in your own words as far as applicable. Figures in the margins indicate full marks.

SECTION A: CRITICAL THINKING QUESTIONS (10 X 1 = 10 MARKS)

Answer **ALL** the questions:

1. Define the concept of accounting policy.
2. What do you understand by double entry accounting system?
3. How do you calculate the cash from investing activities?
4. Write the meaning of liquidity ratio.
5. Prepare the accounting equation from the following information:
 - a. Started a business with cash Rs. 100,000.
 - b. Salary paid Rs. 20,000
 - c. Interest received Rs. 2,000
 - d. Goods purchased on credit Rs. 7000
6. Write the process of preparing cash book.
7. How do you understand the accounting of overhead?
8. Point out any four measures to control labor turnover.
9. Calculate the net debtors from the following information. Debtors Rs. 100,000, Write off bad debts Rs. 10,000, create provision for doubtful @5% and provide 10 % discount on debtors.
10. The net profit of a business was Rs. 50,000. Calculate the manager's commission if the agreement is to provide 10% commission after charging such commission.

SECTION B: SHORT ANSWER QUESTIONS (3 X 8 = 24 MARKS)

Answer any **THREE** questions:

11. What is accounting for material? Explain the LIFO and FIFO methods of inventory valuation. [2+6]
12. Prepare a Bank Reconciliation Statement from the following information on 31st March, 2019: [8]
 - a. Bank balance as per Cash Book Rs. 10,560
 - b. Cheque issued but not presented for payment Rs. 1,500.
 - c. Cheque of Rs. 5,000 paid into the bank but not credited by the bank till 31st March, 2019.
 - d. Interest allowed on saving but not entered in the Cash Book Rs. 150.
 - e. Bank charged Rs. 100 as bank commission on 30th March, 2019 but no entry has been made in the cash book.
 - f. Amount directly deposited into bank by a customer Rs. 2,500 for which there is no entry in the Cash Book.
 - g. The bank has as per standing instruction paid insurance premium for Rs. 600 on 28th March, 2019 but the bank information was received on 5th April, 2019.
13. You are given the following information:

Normal Piece rate	Rs. 8
Standard yield/ Output per month	600 units

Differential to be applied:

80 % of piece rate for below standard
120% of piece rate at or above standard

Actual output per month

- i. 500 units | ii. 600 Units | iii. 700 units

Required: Calculate the total earnings of workers A, B and C

- a. Using straight piece rate system [4]
 b. Taylor's differential piece rate system from the following information [4]

14. The following balance sheet and information is given as under:

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Share capital	135,000	Premises	65,000
Share premium	10,000	Plant and machinery	110,000
Profit and loss account:		Other long term assets	20,000
- Balance of profit (last year)		Stock in trade	50,000
9,000		Sundry debtors	55,000
- Profit for the year	90,000		
81,000		Cash at bank	20,000
5% Debenture	50,000	Preliminary expenses	10,000
Sundry creditors	30,000		
Tax liability	5,000		
Proposed dividend	10,000		
Total	330,000	Total	330,000

Sales during the year amounted Rs. 540,000.

Required:

- a. Current ratio [1] | c. Net profit ratio [1]
 b. Fixed assets turnover ratio [2] | d. Debtors' turnover ratio [1]
 e. Inventory turnover ratio [1] | f. Debt- equity ratio [2]

15. A manufacturing company Ltd. has five depart namely, A, B, and C are production departments, and X and Y are service departments. The actual cost for a period are as follows:

Electric Light	Rs 40,000	Supervision cost	Rs 60,000
Rent	Rs 30,000	Depreciation	Rs 35,000
General overheads	Rs 30,000		

Items	Production Department			Service Departments	
	A	B	C	X	Y
Direct wages (Rs)	10,000	8,000	12,000	4,000	5,000
Direct Material(Rs)	16,000	20,000	8,000	10,000	6,000
Area in sq. fit.	3,000	2,000	3,000	1,000	1,000
Value of plant	400,000	1,800,000	1000,000	200,000	100,000
Light points	2,500	1,500	2000	1500	500
Service rendered by X	30%	40%	30%	-	-
Service rendered by Y	55%	25%	20%	-	-

Required:

- a. The apportionment of the overhead cost to the various departments on the most equitable basis. [6]
 b. The total cost for each production department. [2]

SECTION C: LONG ANSWER QUESTIONS (2 X 13 = 26 MARKS)

Answer any TWO questions:

16. What is Generally Accepted Accounting Principles (GAAP)? Describe its objectives and importance in details [3+5+5]
17. The income statement of a company is as follows.

Income Statement for the year ended 2079

Service Income	310,000
Less: Cost of Goods Sold	(185,000)
Gross Profit	125,000
Less: Operating Expenses	
Sundry Service Charge	(40,000)
Depreciation	(50,000)
Debenture Premium Paid	(5,000)
Net Income Before Other Income	30,000
Less: Loss on sale of Fixed Assets (Cost Rs. 25,000 and Depreciation Rs. 15,000)	(5,000)
Less: Dividend Paid	(10,000)
Retained Earning	15,000

Balance Sheet as at 31 Ashad 2079

Liabilities and Equity	2078	2079	Assets	2078	2079
Share Capital	260,000	310,000	Fixed Assets	310,000	410,000
Share Premium	25,000	40,000	Inventories	25,000	50,000
5% Debenture	30,000	15,000	Account Receivable	75,000	50,000
Short Term Debt	20,000	10,000	Cash at Bank	50,000	25,000
Bills Payable	25,000	20,000			
Account Payable	50,000	75,000			
Retained Earning	50,000	65,000			
Total	460,000	535,000	Total	460,000	535,000

Required:

- a. Net Cash Flow from Operating Activities [5]
- b. Net Cash Flow from Investing Activities [4]
- c. Net Cash Flow from Financing Activities [3]
- d. Net changes in Cash Balance. [1]
18. You are given following information as on 31st March, 2020.

Particulars	Debit	Credit
Plant and machinery	20,000	
Manufacturing wages	34,500	
Salaries	15,850	
Furniture	10,000	
Freight on purchase	1,860	

Freight on sales	2,140	
Building	24,000	
Manufacturing expenses	9,500	
Insurance and taxes	4,250	
Goodwill	25,000	
General expenses	8,200	
Factory fuel and power	1,280	
Sundry debtors	78,200	
Factory lighting	950	
Opening stock	34,200	
Motor car	12,000	
Purchases	102,000	
Sales returns	3,100	
Bad debts	1,400	
Interest and bank charges	400	
Cash at bank	4,200	
Cash in hand	1,120	
Capital		80,000
Sundry creditors		44,560
Bank loan		15,000
Purchase returns		1,740
Sales		250,850
Provision for doubtful debts		2,000
Total	394,150	394,150

Adjustments:

- Stock in hand on 31st March, 2020 was valued at Rs. 60,000.
- Depreciate plant and machinery by 10%, furniture by 5% and motor car by Rs. 1,000.
- Bring provision for doubtful debts @ 5% on sundry debtors.
- A commission of 2% on net profit (after charging such commission) is to be credited to General Manager.

Required:

- a. Trading and profit and loss account.
- b. Balance sheet.

[3+5]

[5]

THE END