

FAM
MID-II IMPORTANT QUESTIONS
UNIT-III

- 1. Prepare Trading, Profit and Loss account and Balance Sheet as on 31-12-2019 from the following Trial Balance of Deepali.**

	Debit (Rs)		Credit (Rs)
Cash on hand	3,000	Capital	50,000
Purchases	40,000	Sales	72,000
Returns	500	Returns	300
Wages	5,000	Creditors	4,000
Salaries	3,200	Bills payable	3,700
Stock 1-1-2019	22,000		
Carriage inwards	800		
Carriage outwards	1,200		
Buildings	25,000		
Machinery	15,000		
Insurance	700		
Debtors	8,000		
Bills Receivable	5,600		
	1,30,000		1,30,000

Make the Following Adjustments:

- 1. Closing stock Rs. 26,000**
- 2. Outstanding salaries Rs. 550**
- 3. Write off bad debts Rs. 600 and provision @ 5% has to be made on debtors**
- 4. Machinery and Buildings are to be depreciated by 700 and 1,200 respectively.**
- 5. Prepaid insurance Rs. 200**

Ans:

Trading A/C for the year ended Deepali on 31-12-2019

Particulars	Amt (RS)	Amt (RS)	Particulars	Amt (RS)	Amt (RS)
-------------	----------	----------	-------------	----------	----------

To Opening Stock		22,000	By Sales (-) returns	72,000 <u>500</u>	71,500
To Purchases: (-) returns	40,000 <u>300</u>	39,700	By Closing Stock		26,000
To Carriage inward		8,00			
		5,000			
To Wages		30,000			
To Gross Profit		97,500			97,500

Profit and Loss A/C for the year ended Deepali on 31-12-2019

Particulars	Amt (RS)	Amt (RS)	Particulars	Amt (RS)	Amt (RS)
To Salaries (+) Out Standing	3200 <u>550</u>	3,750	By Gross Profit		30,000
To Carriage Outward		1,200			
To Insurance (-) Prepaid	700 <u>200</u>	500			
To depreciation (+)	700 <u>1200</u>	1,900			
		600			

To bad debts		400			
To P.B.D		21,650			
To Net Profit		30,000			30,000

Balance Sheet Deepali as on the year 31-12-2019:

Liability	Amt (RS)	Amt (RS)	Asset	Amt (RS)	Amt (RS)
Capital			Closing Stock		26,000
(+) Net Profit	50,000	71,650			
	<u>21,650</u>		Building		
Creditors		4,000	(-) Depreciation	25,000	23,800
Bill's Payable		3,700		<u>1,200</u>	
Outstanding Salary		550	Machinery		
			(-) Depreciation	15,000	14,300
			Debtor's		
			(-) P.B.D	<u>700</u>	7,000
			(-) Bad debt		
			Bill's Receivable	8,000	5,600
				400	
			Prepaid Insurance	<u>600</u>	200
			Cash on hand		3,000
		79,900			79,900

2. From the Books of Prabhas Rath, Prepare the Trading and Profit & Loss

Account and Balance Sheet for the year ended 31st March, 2016.

	Debit (Rs)		Credit (Rs)
Purchases	10,000	Sales	15,100
Freight Inwards	750	Commission Received	1900
Wages	600	Creditors	2400
Carriage	400	Rent Received	600
Outwards			
Advertisement	500	Capital	5000
Stock 1-1-2016	1000		
Cash	1200		
Machinery	8000		
Debtors	2250		
Bills Receivable	300		
	25000		25000



Following Additional Information:

- i. Commission received in advance Rs. 400
- ii. Advertisement paid in advance Rs. 150
- iii. Wages outstanding Rs. 200
- iv. Closing stock on 31-03-2016, Rs. 2,100

Ans:

Trading A/C for the year ended 31-3-16:

Particulars	Amt (RS)	Amt (RS)	Particulars	Amt (RS)	Amt (RS)
To opening stock		1,000	By Sales		15,100
To purchases		10,000	By Closing Stock		2100
To Freight inwards		750			
To wages	600				
(+) wages o/s	<u>200</u>	800			

To Gross Profit		4,650			
					
		17,200			17,200

Profit and Loss A/C for the year ended 31-03-2016:

Particulars	Amt (RS)	Amt (RS)	Particulars	Amt (RS)	Amt (RS)
To carriage outwards		400	By gross profit		4,650
To Advertisements (-) prepaid	500		By commission received (-) advance com.	1,900	
	<u>100</u>	350		<u>400</u>	
To net profit		6,000			1,500
			By rent received		600
		6,750			6,750

Balance sheet for the year ended 31-03-2016:

Liability	Amt (RS)	Amt (RS)	Asset	Amt (RS)	Amt (RS)
Creditor's		2,400	Cash		1200
Capital (+) Net Profit	5,000		Machinery		8,000
	<u>6,000</u>	11,000	Debtor's		2,250
Wages o/s		200	Bills Receivable		300
Commission received		400	Prepaid advertisement		150

			Closing stock		2,100
		14,000			14,000

- 3. From the following Trial Balance prepare the Final accounts of Mrs. Garima as on 31-3-2018. Trial Balance of Mrs. Garima as on 31-3-2018.**

Particulars	Amount Rs.	Particulars	Amount Rs.
Cash in hand	800	Sales	69,400
Goodwill	40,000	10 % loan 1-1-2003	51,000
Purchases	68,000	reserve for Bad	500
		Debts	
Cash at bank	1,200	Creditors	8,000
Direct wages	2,000	Capital	90,000
Opening stock	35,000	Bills payable	2,000
Interest on loan	2,500		
Insurance	900		
Carriage on sales	900		
Carriage on	400		
purchases			
Commission	500		
Fittings	5,000		
Bad debts	200		
Buildings	25,000		
Plant and Machinery	10,000		
Postage & Telegram	500		
Debtors	25,000		
Salaries	3,000		
	2,20,900		2,20,900

Adjustments:

- i. Stock as on 31-3-2018 Rs. 75,000**
- ii. Provide 5% for doubtful debts**
- iii. Provide depreciation 10% on fittings, 10% on Plant and**

Machinery and 5% on buildings

- iv. **Mrs. Laxmi has taken Rs. 500 worth of stock for her domestic use**
- v. **Stock worth Rs. 10,000 was destroyed in a fire accident for which the insurance company agreed to reimburse Rs. 2,000**

Ans:

Trading A/C for the year ended 31-03-2018:

Particulars	Amt (RS)	Amt (RS)	Particulars	Amt (RS)	Amt (RS)
To opening stock		35000	By Sales		69400
To Purchases		68000	By Closing Stock		75000
To Direct Wages		2000			
To Gross Profit		39400			
		1,44,400			1,44,400

Profit and Loss A/C for the year ended 31-03-2018:

Particulars	Amt (RS)	Particulars	Amt (RS)
To depreciation	2750	By Gross Profit	39,400
To Salaries	3000		
To Bad debts	200		
To int.on loan	2500		
To insurance	900		
To Carriage purchases	400		
To carriage on sales	900		
To comissions	500		
To postage & telegram	500		
To provision BD	750		
To Abnormal loss	8000		
To Net profit	19000		
	39400		39,400

Balance sheet for an year ended 31-03-2018:

Liability	Amt (RS)	Asset	Amt (RS)
Capital: 90,000		Cash in hand	800
(-) Drawings :500		Good will	40000
	89,500	Cash at bank	1200
Loan	51000	Debtors :25,000	
Reserve bad debts	500	Provisions:750	
Creditors	8000		24250
bills payable	2000	Fitting	5000

Net profit	19000	Building	25000
		Plant & Machinery :	
		10000	
		Dep:2750	
			7250
		Closing Stock:75000	
		Abnormal loss 8000	
		personal use 500	
			66500
	1,70,000		1,70,000

Note: Drawings are directly reduced from balance sheet not charged to profit and loss Account.

4. From the following Ledger balance of M/s. Rupali & Co. Prepare a Trading and a Profit and Loss Account for the period ended 31-12-2017.

Stock 1-1-2017	5,000
Purchases	60,000
Returns outward	5,000
Sales	1,05,000
Returns inward	5,000
Direct Wages	2,000
Indirect wages	1,000
Carriage	500
Carriage outward	1,000
Distribution	500
expenses	
Office Rent	3,000
Repairs	1,000
Import Duty	1500
Coal & Gas	1,500
Office Lighting	2,000
Closing Stock	20,000

Ans: Trading A/C for the year ended 31-12-2017:

Particulars	Amt (RS)	Amt (RS)	Particulars	Amt (RS)	Amt (RS)
To Opening Stock		5,000	By Sales	10,500	
			(-) return i/n	<u>5,000</u>	1,00,000
To purchases	6,000		By Closing Stock		20,000
	<u>5,000</u>				

(-) return o/w		55,000			
To Direct Wages		2,000			
To carriage		500			
To Gross Profit		57,500			
		1,20,000			1,20,000

Profit and loss A/C for the year ended 31-12-2017:

Particulars	Amt (RS)	Amt (RS)	Particulars	Amt (RS)	Amt (RS)
To Carriage Outward		1,000	By gross profit		57,500
To indirect wages		1,000			
To distribution expenses		500			
To office rent		3000			
To repairs		1,000			
To import duty		1,500			
To Coal & Gas		1,500			
To office lighting		2,000			

To Net profit		46,000			
		57,500			57,500

UNIT-IV

5.What do you mean by Management? Explain its Nature and Functions

Ans:

1.Management can be defined as the process of achieving organizational goals through, planning, organizing, staffing, directing, and controlling the human, physical, financial, and information resources of the organization in an effective and efficient manner”

2.“Management is the art of getting things done through and with people”

3.“Management as a science provides principles and as an art helps in tackling situations”

Nature of Management:

- Goal Oriented Process
- Management is all Universal or Pervasive
- Multidisciplinary
- Continuous Process
- Group Activity
- Dynamic Function

Functions of Management:

1.Planning:

- Look ahead and chart out future course of operation
- Formulation of Objectives, Policies, Procedure, Rules,
- Programs and Budgets

2.Organising:

- Bringing people together and tying them together in the pursuit of common objectives.
- Enumeration of activities, classification of activities, fitting
- individuals into functions, assignment of authority for action.

3.Staffing:

- putting the right person at right place,

- It provides competent people to fill various positions created out of the organizational structure.

4.Directing:

- Act of guiding, overseeing and leading people.
- Motivation, leadership, decision making.

5.Coordinating:

- Laying standards, comparing actual and correcting deviation-achieve objectives according to plans.

6.Controlling:

- Synchronizing and unifying the actions of a group of people.

6.Discuss about Henry Fayol's 14 Principles

Ans: Henry Fayol's 14 Principles of Management

- 1.Division of Work.
- 2.Authority and Responsibility.
- 3.Discipline.
- 4.Unity of Command.
- 5.unity of Direction.
- 6.Subordination of individual to General interest.
- 7.Remuneration of personnel.
- 8.Centralization.
- 9.Scalar chain.
- 10.Order.
- 11.Equity.
- 12.Stability of tenure.
- 13.Initiative.
- 14.Esprit de corps.

Division of Work: The work should be divided among the individuals on the basis of their specializations, so as to ensure their full focus on the effective completion of the task assigned to them.

Authority and Responsibility: The authority and responsibility are related to each other. Authority means the right to give orders while the responsibility means being accountable. Thus, to whomsoever the authority is given to exact obedience must be held accountable for anything that goes wrong.

Discipline: The individuals working in the organization must be well-disciplined. The discipline refers to the obedience, behavior, respect shown by the employees towards others.

Unity of Command: According to this principle, an individual in the organization must receive orders from only one supervisor. In case an individual has the reporting relationship with more than one supervisor then there may be more conflicts with respect to whose instructions to be followed.

Unity of Direction: Unity of direction means, all the individual or groups performing different kinds of a task must be directed towards the common objective of the organization.

Subordination of Individual to General Interest: According to this principle, the individual and organizational interest must coincide to get the task accomplished. The individual must not place his personal interest over the common interest, in case there a conflict.

Remuneration of Personnel: The payment methods should be fair enough such that both the employees and the employers are satisfied.

Centralization: Fayol defines centralization as the means of reducing the importance of subordinate's role in the organization, and the extent to which the authority is centralized or decentralized depends on the organization type in which the manager is working.

Scalar Chain: This means there should be a proper hierarchy in the organization that facilitates the proper flow of authority and communication. It suggests that each individual must know from whom he shall get instructions and to whom he is accountable to.

Order: This principle is related to the systematic arrangement of things and people in the organization. This means every material should be in its place, and there should be a place for every material. Likewise, in the case of people, a right man should be in the right job.

Equity: All the employees in the organization must be treated equally with respect to the justice and kindness.

Stability of Tenure: The employees should be retained in the organization, as new appointments may incur huge selection and training cost.

Initiative: The manager must motivate his subordinates to think and take actions to execute the plan. They must be encouraged to take initiatives as this increases the zeal and energy among the individuals.

Esprit de Corps: This means "unity is strength". Thus, every individual must work together to gain synergy and establish cordial relations with each other.

7. Discuss about Taylor's Scientific Management Theory

Ans:

F.W. Taylor's Scientific Management Theory (1856-1915)

- The systematic study of relationships between people and tasks for the purpose of redesign
- Taylor believed that if the amount of time and effort that each worker expends to produce a unit of output can be reduced by increasing specialization and division of labor, the production process will become more efficient.
- The word "Scientific" means systematic analytical and objective approach while "management" means getting things done through others.
- SM means "application of principles and methods of science in the field of management".
- F.W. Taylor, "Scientific Management is the substitution of exact scientific investigations and knowledge for the old individual judgment or opinion in all matters relating to the work done in the shop."
- Peter F. Drucker, "SM is the study of work and the analysis of work into its simplest elements and the systematic improvement of the worker's performance of each element."
- These definitions describe scientific management as application of scientific knowledge replacing the old or traditional methods of doing work.

Purpose of Scientific Management:

1. Increased Production
2. Standardization of methods
3. Reduced waste and losses
4. Improvement of quality control
5. Cost Reduction
6. Wage Incentive
7. It displaces custom, guess work
8. Ensuring a regular supply of goods

Principles of Scientific Management:

1. Science, not the Rule of Thumb:

The basic principles of scientific management theory by Taylor, are adopting a scientific approach to decision making. Even abandons the all-unscientific

approach from managerial activities. So, we can say that these principles suggest *thinking* before *doing*.

2. Harmony, not Discord:

An organization consists of two groups, i.e., 'workers' and 'management.' They must create the 'Give and Take' relationship in the workplace. Therefore, Taylor emphasized on Mental Revolution, which means a change of attitude of both groups based on this principle. They should share their opinions and ideas with each other.

3. Co-operation, not Individualism:

It shows the importance of each other (management and workers). Management should reward and appreciate the employees for their helpful suggestions. At the same time, employees also cooperate with the management for the improvement of the organization.

4. Development of Every Person to his/her Greatest Efficiency and Prosperity:

Employees should be properly trained and selected scientifically. And it is essential for each organization. For implementing this task, Taylor arranged some techniques, for instance, work-study, time study, motion study, fatigue study, and method study.

5. Maximum, not Restricted Output: Maximum productivity is the basic purpose of an organization. In this case, Taylor has emphasized production maximization in his principles.

UNIT-V

8.What is Organization Structure? Explain the Features of Good Organization Structure

Ans: Organization Structure describes how members are accepted, how leadership is chosen, and how decisions are made. It represents the authority and responsibility relationships between various positions in the organization by showing who reports to whom. Thus the structure is the relationships among people in the organization and designed to determine the channel of communication and flow of authority and responsibility.

Features of a good Organization Structure:

1.Simplicity:

An organisation structure should be basically simple. It implies that the structure should have the simplest possible framework which will fulfil the purposes intended with due emphasis on economical and effective means of accomplishing the objective of the enterprise.

This will ensure economy of effort, minimise overhead costs, and reduce all possible difficulties that may arise out of poor communication due to the complexity of intricate structure.

2.Flexibility and Continuity:

The organizer should build the structure not for today or tomorrow, but for the distant future. As such, continuity must be maintained in the organisation structure over the period of time. However, since organisation structure is based on circumstances and these are not fixed but change over the period of time, there is a need for incorporating the changes in the organisation structure also.

Hence, the structure should be adaptable enough so that it provides the opportunity to accommodate the changes where these are needed.

3. Clear Line of Authority:

Whatever the form of structure be adopted, there should be clear lines of authority running from top to bottom or in horizontal directions. It implies that one should be very clear about what he is expected to achieve or contribute and what relationships should be maintained by him at his official level.

4. Application of Ultimate Authority:

It suggests that, although a superior manager assigns some of the work to his subordinates, he is ultimately responsible for the accomplishment of the total work. Thus, he is responsible for his own work as well as for the work performed by his subordinates.

If this concept is applied, it ensures that every person carries dual responsibility; responsibility for his own work and that for his subordinates' work. As a whole, a manager is responsible for the total work assigned to him by his superior.

5. Proper Delegation of Authority:

The concept of ultimate authority will be effective only when there is proper delegation of authority at various levels of the organisation. Delegation of authority refers to authorisation of a manager to make certain decisions. A common problem in the organisational life is that the managers often fail to delegate adequate authority and suffer from various problems.

6. Unity of Command and Direction:

The principles of unity of command and direction should be followed. Unity of command suggests that one person should receive orders and instructions from one superior only. Unity of direction refers to the concept of 'one plan one man'.

Every work in an organisation having the same objective must be assigned to a single person. Thus, the activities and functions of same type can be grouped together. This provides clarity in carrying out the activities.

7. Minimum Possible Managerial Levels:

As far as possible, there should be minimum managerial levels, Greater the number of managerial levels, longer is the line of communication in the chain of command—creating problems of delay and distortion. Moreover, more managerial levels increase cost in the organisation.

8. Proper Emphasis on Staff:

Line functions should be separated from staff functions and adequate emphasis should be placed on important staff activities. This is important particularly in large organisations. A line activity is that which serves the organisational objectives directly; for example, production activities in a manufacturing concern.

9. Provision for Top Management:

In the company form of organisation, the shareholders are generally indifferent to the day-to-day affairs of the company. Similarly, the members of the board of directors also do not meet on regular basis.

9. Write a short note on

A) Departmentation

B) Span of Control

Ans: A) Departmentation:

Departmentation is the process of classifying and grouping all the activities of an enterprise into different units and sub-units.

This is done to facilitate the functioning of the activities efficiently for achieving overall results or goals of organization

Departmentation aims for:

- ❖ Specialization of activities;
- ❖ Simplification of task of management within a workable span;
- ❖ Maintaining coordination and control of various activities

Importance of Departmentation:

- ✓ Specification
- ✓ Autonomy
- ✓ Fixation of responsibility
- ✓ Fixation of accountability
- ✓ Development of Managers
- ✓ Facilitates Appraisal
- ✓ Conducive environment
- ✓ Increases effectiveness

B) Span of Control:

The number of subordinates which should be put under one superior so that these can be handled and controlled effectively by a single manager is span of control/management.

Types of Span of Control/Management

1. Wide span of control
2. Narrow span of control

Factors influencing Span of Control/Management:

1. When managers are capable and aggressive, wide span is always helpful. When managers are submissive by nature, narrow span is preferred.
2. When the subordinates are capable and competent, efficient and trained, wide span is suitable.
3. If the work is of repetitive nature, wide span of supervision is more helpful. If work requires tight control and supervision, narrow span is more helpful.
4. When degree of decentralization is high, wider span is preferred and a flat structure is helpful. But if degree of decentralization is low, narrow span is preferred.

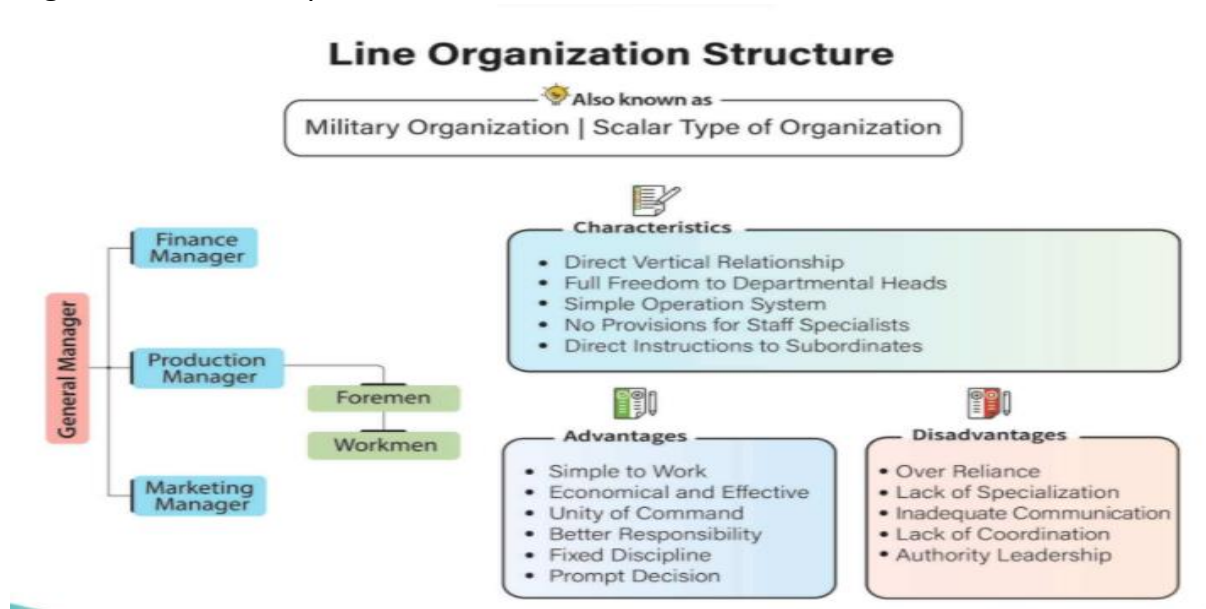
10. Write a short note on

A) Line and Staff Organization Structure

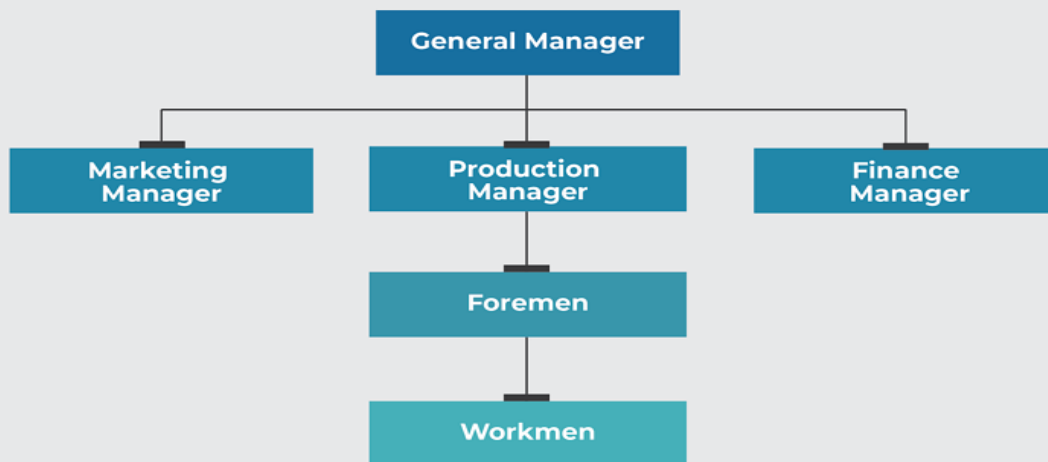
B) Matrix Organization Structure

Ans: Line Organization:

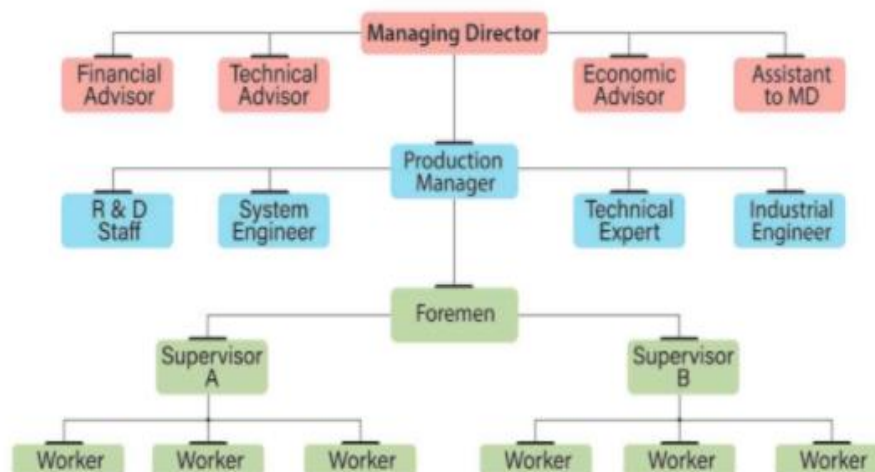
Line organization structure is the oldest and simplest form of organization. In these organizations, a supervisor exercises direct supervision over a subordinate. Also, authority flows from the top-most person in the organization to the person in the lowest.



Line Organization Structure



Line and Staff Organization



Characteristics

- Two Types of Staff: Staff Assistants & Staff Supervisors
- Two Lines of Authority: Line Authority & Staff Authority
- Division of Work
- Different Functional Areas With Staff Specialists Attached
- Power of Command Remains With the Line Executive
- Staff Serves As Counselors



Advantages

- Relief to Line of Executives
- Benefit of Specialization
- Better Co-Ordination
- Benefits of Research and Development
- Unity of Action
- Balanced Decisions



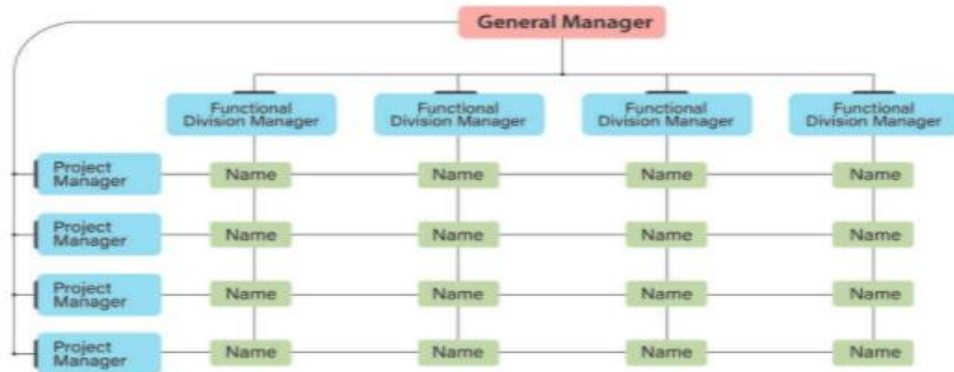
Disadvantages

- Lack of Understanding
- Lack of Sound Advice
- Line and Staff Conflicts
- Assumption of Authority
- Expensive
- Staff Steals the Show

B) Matrix Organization Structure:

Matrix Organization

Also known as
Grid Organization



Characteristics

- Focuses Attention on Specific Projects
- Draws Personnel From Various Departments
- Functional Managers Responsible for Functional Integrity
- Project Objectives Are of Paramount Importance



Advantages

- Efficiently Gathers People With Specialised Skills
- Flexible in Nature
- Motivates Personnel Engaged in the Project
- Balances Time, Cost, and Performance



Disadvantages

- Violates Unity of Command
- Complicated Problem of Coordination
- Not Homogenous and Compact
- Indiscipline and Ambiguity Because of Dual Reporting