Q.	No.	Question	Marks	BL	PO	CO
Q.4	i.	Calculate the annual depreciation using the straight-line method for an asset purchased at ₹50,000 with an estimated residual value of ₹5,000 and a useful life of 5 years.	**3**	3	2	3
	ii.	Explain the concept of depreciation, including its meaning, causes, and objectives of providing for depreciation.	**7**	2	3	3
OR	iii.	A machine was purchased for ₹80,000. It has an estimated residual value of ₹10,000 and an expected useful life of 4 years. Calculate the annual depreciation and the book value of the machine at the end of the third year using the diminishing balance method at a rate of 25%.	**7**	3	3	3
Q.5	i.	Explain the significance of Cost Volume Profit (CVP) Analysis in managerial decision-making.	**4**	2	2	4
	ii.	Define 'Cost Centre' and 'Cost Unit.' How do these concepts support effective cost management within an organization?	**6**	2	2	4
OR	iii.	Discuss the distinctions between cost control and cost reduction. Why is it essential for businesses to focus on both?	**6**	4	3	4
Q.6		Attempt any two:				
	i.	"Discuss the objectives of management accounting and explain how it contributes to effective organizational planning and control."	**5**	4	2	5
	ii.	Define and differentiate between liquidity, activity, and profitability ratios. Provide an example of each and explain their significance in financial analysis."	**5**	3	3	5
	iii.	"Explain the types of financial statements and their significance in management accounting. How does the analysis of these statements aid in decision-making?"	**5**	5	11	5

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Total No. of Questions: 6 *Total No. of Printed Pages:4*

Enrollment No......................................

Faculty of Management Studies
End Sem Examination Dec 2024
MS5CO17 Accounting for Managers

Programme: MBA Branch/Specialisation: Management

Duration: 3 Hrs. **Maximum Marks: 60**

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d. Assume suitable data if necessary. Notations and symbols have their usual meaning.

Q.	No.	Question	Marks	BL	PO	CO	PSO
Q.1	i.	According to the matching principle, expenses should be recognized: (a) When they are paid, regardless of the accounting period (b) In the period in which the related revenues are earned (c) Only if they contribute to net profits (d) At the beginning of the accounting period	**1**	1	2	1	
	ii.	Which of the following statements about International Financial Reporting Standards (IFRS) is true? (a) IFRS requires the use of historical cost as the primary measurement basis (b) IFRS are applied primarily to internal management reporting (c) IFRS promotes transparency, accountability, and efficiency in financial markets (d) IFRS only applies to non-profit organizations	**1**	1	3		
	iii.	Which of the following errors will not be detected by a trial balance? (a) Posting to the wrong account (b) Omission of an entry in both debit and credit (c) Recording of a transaction twice (d) Entering wrong amount on both debit and credit sides	**1**	1	3	2	

iv.	If a company has an opening stock of ₹40,000, purchases worth ₹150,000, and closing stock of ₹50,000, what is the cost of goods sold? (a) ₹140,000 (b) ₹160,000 (c) ₹150,000 (d) ₹200,000	**1**	1	3	2
v.	Which of the following is NOT a cause of depreciation? (a) Wear and tear (b) Obsolescence (c) Appreciation (d) Efflux of time	**1**	1	3	3
vi.	Under the straight-line method, the amount of depreciation charged each year: (a) Increases (b) Decreases (c) Remains constant (d) Is zero	**1**	1	2	3
vii.	Which of the following best describes the primary purpose of cost accounting? (a) Distributing profits among shareholders (b) Reducing expenses to improve profitability (c) Enhancing employee satisfaction (d) Dividing tasks among employees	**1**	1	2	4
viii.	Identify which of the following can be classified as a cost centre: (a) A single product unit (b) A factory building (c) The sales department (d) The entire company	**1**	1	3	4
ix.	Which of the following is a primary objective of management accounting? (a) To ensure compliance with tax laws (b) To provide internal information for decision-making (c) To prepare financial statements for external stakeholders (d) To record daily financial transactions	**1**	1	2	5
x.	Which financial statement shows a company's financial position at a specific point in time? (a) Income Statement (b) Cash Flow Statement (c) Balance Sheet (d) Statement of Changes in Equity	**1**	1	3	5

Q.2	i.	Explain the term "Going Concern" in accounting and its significance in financial reporting	**2**	2	2	1
	ii.	Differentiate between "Cash Basis" and "Accrual Basis" of accounting.	**3**	4	3	1
	iii.	Analyze the main differences between Financial Accounting and Management Accounting and discuss the significance of each for decision-making in a business context.	**5**	4	3	1
OR	iv.	Discuss the impact of accounting conventions on financial reporting. Provide examples to illustrate each.	**5**	5	11	1
Q.3	i.	Explain why depreciation is necessary when preparing final accounts and how it affects financial statements.	**2**	2	3	2
	ii.	Given the following balances from XYZ Ltd., prepare a Trial Balance as of 31st March 2024: Capital: ₹150,000, Bank Loan: ₹30,000 Building: ₹80,000, Furniture: ₹20,000 Purchases: ₹90,000, Sales: ₹140,000 Salaries: ₹10,000, Debtors: ₹50,000 Creditors: ₹40,000, Discount Allowed: ₹2,000, Discount Received: ₹1,000 Cash: ₹19,000 Prepare a trial balance and verify that the debit and credit totals are equal.	**8**	3	2	2
OR	iii.	Using the following information, prepare a Profit & Loss Account for XYZ Ltd. for the year ended 31st March 2024: Gross Profit: ₹100,000, Rent Expense: ₹12,000 (₹3,000 is prepaid), Salaries Expense: ₹18,000 (₹2,000 is outstanding), Interest Earned: ₹5,000, Depreciation on Furniture: ₹3,000, Bad Debts: ₹4,000, Provision for Bad Debts: Increase by ₹2,000, Miscellaneous Expense: ₹6,000. Make necessary adjustments for prepaid and outstanding items and calculate the Net Profit.	**8**	4	11	2

Marking Scheme

MS5CO17 (T) Accounting for Managers (T)

Q.1	i)	In the period in which the related revenues are earned	**1**
	ii)	IFRS promotes transparency, accountability, and efficiency in financial markets	**1**
	iii)	Omission of an entry in both debit and credit	**1**
	iv)	₹140,000 (Cost of Goods Sold = Opening Stock + Purchases - Closing Stock)	**1**
	v)	Appreciation	**1**
	vi)	Remains constant	**1**
	vii)	Reducing expenses to improve profitability	**1**
	viii)	Factory building	**1**
	ix)	To provide internal information for decision-making	**1**
	x)	Balance Sheet	**1**

Q.2 i. Definition: 1 mark
Significance: 1 mark

ii. Definition of Cash Basis: 1 mark, Definition of Accrual Basis: 1 mark, Advantages of Accrual Basis: 1 mark

iii. Differences in objectives and scope (2 points): 2 marks
Differences in audience and reporting frequency: 1.5 marks
Significance in decision-making: 1.5 marks

OR iv. Conservatism with example: 1.5 marks
Consistency with example: 1.5 marks
Materiality with example: 2 marks

Q.3 i. Explanation of necessity for depreciation: 1 mark
Explanation of effect on financial statements: 1 mark

ii. Totalling of Debit and Credit side: 2 marks
Correct placement of each item: 0.5 mark each
Identifying discrepancy (if any): 1 mark
Solution
In this solution, the **Total Debit** and **Total Credit** sides both equal **₹271,000**, indicating that the Trial Balance is correctly balanced.

OR iii. Correct adjustment of prepaid expenses: 1 mark
Correct adjustment of outstanding expenses: 1 mark
Proper inclusion of all incomes and expenses: 3 marks
Accurate calculation of Net Profit: 3 marks

1. **Gross Profit** = ₹100,000 (Given)
2. **Net Rent Expense** = Rent Expense - Prepaid Rent = ₹12,000 - ₹3,000 = ₹9,000
3. **Net Salaries Expense** = Salaries + Outstanding = ₹18,000 + ₹2,000 = ₹20,000
4. **Total Expenses**: 9,000 + 20,000 + 3,000 + 4,000 + 2,000 + 6,000 = ₹44,000

Net Profit Calculation:
Gross Profit + Other Income - Total Expenses = ₹100,000 + ₹5,000 - ₹44,000 = **₹61,000**

Q.4 i. Annual Depreciation = Cost of Asset−Residual Value/Useful Life

Answer: ₹9,000 per year
Marking Scheme:

1 mark for correct formula.

1 mark for correct substitution and calculation.

1 mark for the correct final answer.

ii. 2 marks for explaining the meaning. - 2 marks for discussing causes. - 3 marks for explaining objectives.

OR iii. Annual depreciation for Year 1 = ₹20,000, Year 2 = ₹15,000, Year 3 = ₹11,250

Book Value at end of Year 3 = ₹33,750

Marking Scheme: - 2 marks for calculating Year 1 depreciation and book value. - 2 marks for calculating Year 2 depreciation and book value. - 2 marks for calculating Year 3 depreciation and book value. - 1 mark for the correct final answer of book value at the end of Year 3.

Q.5 i. Definition of CVP Analysis (1 mark)
Explanation of its role in decision-making (2 marks)
Example or application in real scenarios (1 mark)

ii. Definition of Cost Centre (1.5 marks)
Definition of Cost Unit (1.5 marks)
Explanation of how each aids in cost management (3 marks)

OR iii. Explanation of Cost Control (2 marks)
Explanation of Cost Reduction (2 marks)
Importance of both for business efficiency and profitability (2 marks)

Q.6

i. Definition of Management Accounting (1 mark)
Objectives of Management Accounting (2 marks)
Contribution to Planning and Control (2 marks)

ii. Definition and example of Liquidity Ratio (1 mark)
Definition and example of Activity Ratio (1 mark)
Definition and example of Profitability Ratio (1 mark)
Significance in Financial Analysis (2 marks)

iii. Types of Financial Statements (2 marks)
Significance of Each Statement (1 mark)
Role in Decision-Making (2 marks)

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