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First Semester MBA Degree Examination, Dec. 2013 / Jan. 2014
Accounting for Management

Time: 3 hrs.

Max. Marks: 100

Note: 1. Answer any THREE questions, from Q.No.1 to Q.No.6.
2. Q.No. 7 and 8 are compulsory.

- 1 a. Briefly explain Separate Entity Concept. (03 Marks)
 b. What is corporate governance? Explain its benefits. (07 Marks)
 c. Anil had the following transactions. Use accounting equations to show their effect on his assets, liabilities and capital. (10 Marks)

Date	Particulars	Amount (Rs)
1/1/2013	Started business with cash	50,000
2/1/2013	Purchased goods on credit	4,000
3/1/2013	Purchased goods for cash	1000
4/1/2013	Purchased Furniture	500
5/1/2013	Withdrew for personal use	700
6/1/2013	Paid rent	200
7/1/2013	Received Interest	100
8/1/2013	Sold goods costing Rs 500 on credit for	700
9/1/2013	Paid to creditors	400
10/1/2013	Paid for Salaries	200
11/1/2013	Further capital invested	10,000
12/1/2013	Borrowed from Mr. P	10,000

- 2 a. Distinguish between trade discount and cash discount. (03 Marks)
 b. What is window dressing? Explain in brief, the method of window dressing. (07 Marks)
 c. Give detailed explanation of any five accounting concepts. (10 Marks)
- 3 a. What is a contra entry? (03 Marks)
 b. Pass journal entries in the books of Mr A, for the following transactions : (07 Marks)

Date	Particulars
1/12/2012	Started business with cash Rs 1,00,000/- Building Rs 20,000/- and goods Rs 30,000/-
2/12/2012	Purchased furniture by cash Rs 12,000/-
3/12/2012	Purchased machinery on credit from XYZ company Rs 25,000/-
4/12/2012	Purchased goods worth Rs 18,000/- by cash and Rs 22,000/- on credit from Vishal enterprises.
8/12/2012	Sold goods by cash Rs 15,000/- and on credit to Vikram Rs 30,000/-
16/12/2012	Received an amount of Rs 16,000/- from Vikram
20/12/2012	Paid to Vishal enterprises cash of Rs 10,000/-
28/12/2012	Paid to XYZ company cash of Rs 8,000/-

- c. Prepare a three column cash book from the following transactions : (10 Marks)

1/10/2012	Opening Balance of Cash Rs 5,000/- and Bank Rs 12,000/-
3/10/2012	Deposited Rs 10,000/- into Bank received from Mr A.
4/10/2012	Cash purchases Rs 3,000/-
6/10/2012	Received from Sagar Rs 4,500/- and allowed him a discount of Rs 250/-
7/10/2012	Paid Harish by cheque Rs 2,500/- in full settlement of his account of Rs 2600/-
9/10/2012	Paid for purchase of Machinery Rs 4,000/-
10/10/2012	Withdrawn cash from bank for office use Rs 5,000/-
11/10/2012	Paid salaries Rs 3,600/-
13/10/2012	Paid for stationery Rs 1200/-
15/10/2012	Cash sales Rs 8,000/-
18/10/2012	Paid office rent Rs 3,000/-
20/10/2012	Deposited into bank Rs 2,000/-
22/10/2012	Paid for purchase of furniture Rs 5,000/- by cheque
25/10/2012	Paid for office expenses Rs 4,000/- by cheque
27/10/2012	Withdrawn from bank for personal use Rs 3,500/-
29/10/2012	Received from Tushar Rs 2,000/- and allowed a discount of Rs 20/-
30/10/2012	Paid for purchases Rs 800.

- 4 a. Write a note on Human Resource Accounting. (05 Marks)
 b. What is IFRS? What are the objectives of IFRS? (05 Marks)
 c. The following Balance sheet are given :

Liabilities	2010	2011	Assets	2010	2011
Eq. share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
Redeemable preference capital	1,50,000	1,00,000	Machinery	2,00,000	1,70,000
General Reserves	40,000	70,000	Building	80,000	2,00,000
Profit & Loss A/c	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed Dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	Bills receivable	20,000	30,000
Bills payable	20,000	16,000	Cash in hand	15,000	10,000
Provision for taxation	40,000	50,000	Cash at Bank	10,000	8,000
Total	6,77,000	8,17,000	Total	6,77,000	8,17,000

Additional Information :

Depreciation of Rs 20,000 on Machinery and Rs 10,000 on Building has been charged during the year 2011. Interim dividend of Rs 20,000 and Income tax of Rs 35,000 has been paid during the year 2011. Prepare cash flow statement as per AS – 3. (10 Marks)

- 5 a. What is Income from Salary? What are the points to be noted in relation to taxing and income under this head? (05 Marks)
 b. Write a brief note on role of auditor in a organization. (05 Marks)
 c. Following are the Balance sheets of Amar Ltd and Tushar Ltd.

Assets :	Amar	Tushar
Current Assets : Cash	2500	7000
Sundry Debtors	22,000	27,000
Bills receivable	1,000	2,000
Stock	10,000	12,000
Prepaid expenses	1000	2000

<u>Fixed Assets :</u>	63,500	50,000
Total Assets	1,00,000	1,00,000
<u>Liabilities :</u>		
<u>Current Liabilities</u>		
Sundry creditors	4200	15000
Bills payable	7800	6000
<u>Long term loans</u>		
Debentures	22,500	30,000
Share capital	65,500	49,000
Total Liabilities	1,00,000	1,00,000

Prepare a common size Balance sheet and answer the following questions :

- i) How is the liquidity position of the company?
- ii) Credit and collection policy of which company is effective? (10 Marks)

- 6 a. Prepare a trading account from the following data and find gross profit : (05 Marks)

Particular	Debit	Credit
Opening stock	4,00,000	–
Sales	–	7,80,000
Purchases	4,85,000	–
Carriage inward	10,000	–
Salaries	30,000	–
Office rent	2,500	–
Wages	40,000	–
Factory expenses	35,000	–
Fuel and power	5,000	–
Closing stock for the year is	4,20,000	–

- b. With the following ratios and further information given below. Prepare a trading account, profit and loss account and a balance sheet.

- i) Gross profit ratio = 25%
- ii) Net profit / sales = 20%
- iii) Stock turnover ratio = 10 times
- iv) Net profit / capital = 1/5
- v) Capital / Total assets = 1/2
- vi) Fixed assets / capital = 5/4
- vii) Fixed assets / Total current assets = 5/7
- viii) Fixed assets = Rs. 10,00,000
- ix) Closing stock = Rs. 1,00,000. (15 Marks)

- 7 a. As a financial analyst to analyse the liquidity position of a firm which ratios would you take into consideration. (05 Marks)

- b. Mr. Muni has a gross total income of Rs. 6,28,000/- p.a, he has some idea of investments and is planning to make the following investments : (05 Marks)

- i) Rs 1,22,000/- in public provident fund (PPF)
- ii) Rs 72,000 in a time deposit of a public sector bank for 2 years

Which of the above is / are eligible for deduction according to Sec – 80 C and why?

- c. Mr Gopi, the MD of MSR Ltd., is confused about the items to be included in the Directors report. The draft report contains only the state of affairs and the dividend recommended. According to you what should be the other items? (05 Marks)

- d. As a financial analyst mention the profitability ratios that you would consider to analyse the profitability of your organization. (05 Marks)

- 8 From the following trial balance of Shri. Chandrashekar prepare trading and profit and loss account for the year 31st March 2012 and balance sheet as on that date after taking into account the adjustments given below :

Adjustments :

- i) Closing stock was valued at Rs. 7000
- ii) Insurance was prepaid to the extent of Rs. 60
- iii) Outstanding liabilities were : salary Rs. 200 and wages Rs. 200
- iv) Make provisions for doubtful debts at 5% on sundry debtors.
- v) Calculate interest on capital at 5% per annum
- vi) Depreciate machinery at 5% and furniture at 10%
- vii) Provide for discount on creditors at 1%.

Trial Balance

Particulars	Debit	Credit
Chandershekar's drawings	4500	—
Purchases	20000	—
Return inwards	1500	—
Stock (1 – 4 – 2011)	8000	—
Salary	4200	—
Wages	1200	—
Rent	350	—
Bad debts	400	—
Discount	700	—
Sundry debtors	14000	—
Cash in hand	260	—
Cash at bank	5940	—
Insurance	400	—
Trade expenses	300	—
Printing	150	—
Furniture	2000	—
Machinery	5000	—
Chandershekar's capital	—	24000
Sales	—	30500
Discount	—	1900
Sundry creditors	—	10000
Bills payable	—	2500
Total :	68,900	68,900

(20 Marks)
