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First Semester MBA Degree Examination, February 2013
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 Q.No. 8 is compulsory.

PART - A

- 1 a. Differentiate Trial Balance from Balance Sheet. (03 Marks)
- b. A book keeper has submitted the following Trial Balance for your observation and suggestions and to correct the Trial Balance to agree. You are asked to prepare the Trial Balance correctly. (07 Marks)

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Land	60,000	Drawings	4,000
Plant & Machinery	80,000	Insurance premium	800
Office Furniture	4,000	Sundry creditors	31,000
Office Computer	8,000	Sales	2,20,000
Debtors	36,000	Capital	80,000
Purchases	1,00,000	Carriage outward	900
Loan on mortgage	40,000	Discount allowed	400
Cash in hand	600	Stock (opening)	16,300
Cash at Bank	34,000	Rent & Rates	2,400
Bad debts	1,700		
Purchase Returns	1,600		
Trade Expenses	900		
Wages	15,000		
Interest on loan	1,600		
Salaries	3,000		
Factory power	3,600		
Discount Received	600		
Total	3,90,600	Total	3,55,800

- c. Journalize the following transactions in the books of M/s Janani Industries Ltd. (10 Marks)

1 st January 2013	Started business with cash Rs 1,00,000.
2 nd	Purchased Furniture for cash Rs 10,000.
3 rd	Purchased goods from Mr. Kamalesh on list price of Rs 15,000 at a trade discount of 10%.
4 th	Returned goods to Mr. Kamalesh value at list price Rs 1,000
5 th	Settled the account of Mr. Kamalesh by paying Rs 12,500
7 th	Sold goods to Mr. Ramlal for Rs 10,000
8 th	Ramlal returned goods worth Rs 2,000
9 th	Received from Mr. Ramlal Rs 7,900 on full settlement of his account.
10 th	Received Rs 10,000 from Mr. Hari as advance for the goods ordered by him.
11 th	Supplied goods to Mr. Hari for the advanced received from him

- 2 a. What is contra entry? Give example. (03 Marks)
- b. Why subsidiary books are called as the book of original entry? Explain the Sales, Sales returns, Purchases and Purchase returns books with imaginary transactions. (07 Marks)
- c. Show the accounting equation on the basis of the following transactions of M/s Ravanth Industries Ltd. (10 Marks)

1.	Started business with cash Rs 90,000
2.	Purchased goods on credit Rs 50,000
3.	Purchased furniture for cash Rs 10,000
4.	Sold goods costing Rs 20,000 for Rs 40,000
5.	Sold goods costing Rs 20,000 on credit for Rs 42,000
6.	Bought goods worth Rs 20,000 (Rs 15000 paid in cash and balance on credit)
7.	Drawn for personal use Rs 5000.
8.	Paid for rent Rs 1000 and salaries Rs 3000
9.	Paid to Creditors Rs 40,000
10.	Received from debtors Rs 12,000

- 3 a. What is MAOCARO? (03 Marks)
- b. Explain any 7 users of financial statements in brief. Give examples of decisions that are based on accounting information. (07 Marks)
- c. Record the following transactions in three column cash book of M/s Tisheel Industries Ltd., for the month of March, 2012. (10 Marks)

1 st March 2012	Balance of cash Rs 2000 and at bank Rs 5,000
3 rd	Received cash Rs 500 and cheque Rs 400 for cash sales and deposited the cheque into Bank.
6 th	Paid by cheque for Purchases Rs 100.
9 th	Paid Gopal by cash Rs 680 and he allowed discount Rs 20.
12 th	Received cash from Raghu Rs 600 in full settlement of his account of Rs 630.
14 th	Withdrawn from bank for personal use Rs 500.
20 th	Sham and company paid direct into our bank account Rs 7000.
23 rd	Cash withdrawn from bank for office use Rs 1000.
27 th	Discounted a bill at 1% through bank Rs 4000.
31 st	Paid staff salaries by cash Rs 1000.

- 4 a. Enumerate the contents of Auditors report. (05 Marks)
- b. What are the deductions under sections 80C of Income Tax Act? (05 Marks)
- c. What is Human Resource Accounting? Briefly explain any four methods of Human Resource Accounting. (10 Marks)
- 5 a. List out the areas covered by Forensic Accounting. (05 Marks)
- b. State the income tax rates for an individual for the current assessment year. (05 Marks)
- c. From the following comparative Balance sheets of Vijaya Lakshmi Industries Ltd., prepare Cash Flow statement by indirect method based on AS – 3. The Balance sheet amounts are given in lakhs of rupees.

Liabilities	Current year Rs in lakhs	Previous year Rs in lakhs	Assets	Current year Rs in lakhs	Previous year Rs in lakhs
Stock holders equity	207	160	Fixed Assets (net of accumulated depreciation)	300	100
Long term debt	150	-	Inventories	100	50
Current liabilities	105	30	Receivables (Net)	60	30
			Cash	2	10
Total	462	190	Total	462	190

Net income before taxes was Rs 81 lakhs. Taxed paid are Rs 27 lakhs. Net income was Rs 54 lakhs. Cash dividend paid was Rs 7 lakhs. Depreciation was Rs 20 lakhs. Fixed assets were purchases for Rs 220 lakh, Rs 150 lakhs of which was financed via the issuance of long term debt outright for cash. (10 Marks)

- 6 a. State the objectives of IFRS. (05 Marks)
- b. Using the following accounting variables, construct the balance sheet.
 Gross profit (20% of sales) Rs 60,000 ; Share holders equity Rs 50,000.
 Credit sales to total sales 80% ; Total assets turnover 3 times.
 Stock turnover 8 times ;
 Average collection period (360 days in a year) 18 days.
 Current ratio 1.6 : 1 ; Long term debt to equity 40%. (15 Marks)

PART - B

- 7 The following are the balance sheets of Mr. Rajasekhar & Company Ltd. The Balance sheet values are given in Rs in lakhs.

Balance sheet (Amt. Rs. in lakhs)

Liabilities	2012	2011	Assets	2012	2011
Equity capital	400	400	Land	100	100
Reserve	245	200	Building	270	300
6% Preference shares	300	300	Plant	270	300
6% Debentures	150	100	Furniture	140	100
Tax payable	150	100	Stock	300	200
Sundry creditors	200	150	Debtors	300	200
Bills payable	75	50	Cash	140	100
Total	1520	1300	Total	1520	1300

- a. Being a prospective investor, interpret the liquidity position of the firm. (05 Marks)
- b. Prepare a comparative balance sheet and comment on the financial position of the firm. (05 Marks)
- c. Mr. David the statutory auditor of VXL Ltd. was preparing his report, mention any five areas where he is required to ascertain the existence of proper systems as per CARO. (05 Marks)
- d. Mr. Rangaiah feels that his company's current ratio of 5.2 and liquidity ratio of 3.1 is superior to the optimum values specified and hence feels that the company's liquidity position is excellent. Do you agree with him? Justify. (05 Marks)

PART - C

- 8 From the following trial balance of MR. Suresh prepare trading and profit and loss account and balance sheet as on 31 - 12 2012.

S. No.	Name of the account	Dr. Bal. Rs.	Cr. Bal. Rs.
1	Capital	-	5000
2	Cash in hand	750	-
3	Bank overdraft 2% (1 - 1 - 12)	-	1000
4	Purchases and sales	6000	7500
5	Returns	500	1000
6	Establishment charges	1,250	-
7	Taxes and insurance	250	-
8	Bad debts reserve	-	500
9	Bad debts	250	-
10	Sundry debtors and creditors	2500	925
11	Commission	-	250
12	Investments	2000	-
13	Stock on (1 - 1 - 12)	1500	-
14	Drawings	700	-
15	Collected sales tax	-	75
16	Furniture	300	-
17	Bills receivables and bills payables	1500	1250
	Total	17500	17500

Adjustments:

- i) Salary Rs.50 and taxes Rs.200 are outstanding but insurance Rs.25 prepaid.
- ii) Commission amounting to Rs.50 has been received in advance for work to be done next year.
- iii) Interest accrued on investment Rs.105.
- iv) Bad debts reserve is to be maintained at Rs.500.
- v) Depreciation on furniture is to be charged at 10%.
- vi) Stock on 31 - 12 - 12 was valued at Rs.2250.
- vii) A fire occurred on 25th December, 2012 in the godown and stock of the value of Rs.500 was destroyed. It was fully insured and insurance company admitted the claim. (20 Marks)
