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**First Semester MBA Degree Examination, June / July 2013**  
**Accounting for Management**

Time: 3 hrs.

Max. Marks:100

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

- 1 a. What is GAAP? (03 Marks)  
b. What is Corporate Governance? Explain in brief Anglo American model of Corporate Governance. (07 Marks)  
c. From the following income statement, calculate trend ratios. (10 Marks)

	Income Statement (in '000 ₹)			
	31/3/2007	31/3/2006	31/3/2005	31/3/2004
Net sales	13,000	12,000	9,500	10,000
Less : Cost of sales	-7,280	-6,960	-5,890	-6,000
Gross profit	5,720	5,040	3,610	4,000
Less : Operating Exp.	-1,200	-1,100	-970	-1,000
Operating profit	4,520	3,940	2,640	3,000
Add : other incomes	+120	+180	+150	+100
Net profit before tax	4,640	4,120	2,790	3,100
Less : Tax	-2,320	-2,060	-1,395	-1,550
PAT	2,320	2,060	1,395	1,550

- 2 a. What is contra entry? Give two examples. (03 Marks)  
b. What do you mean by concepts in Accounting? Mention any 5 concepts. (07 Marks)  
c. Show the accounting equation on the basis of the following transactions :  
i) Started business with cash ₹ 90,000 ; ii) Purchased goods on credit ₹ 50,000  
iii) Purchased furniture on cash for ₹ 10,000  
iv) Sold goods costing ₹ 20,000 for ₹ 40,000.  
v) Sold goods costing ₹ 20,000 on credit for ₹ 42,000.  
vi) Bought goods costing ₹ 20,000 (₹ 15,000 paid in cash and balance on credit).  
vii) Drawn for personal use ₹ 5,000 ; viii) Paid towards rent ₹ 1,000  
ix) Paid towards salaries ₹ 3,000 ; x) Paid to creditors ₹ 40,000. (10 Marks)

- 3 a. What is direct tax? How does it different from indirect tax? (03 Marks)  
b. Explain in brief various uses and limitations of ratios. (07 Marks)  
c. Journalise the following transactions in the books of X and Co. (10 Marks)

2012 Nov 1.	Started business with ₹ 2,00,000 out of which ₹ 50,000 deposited into bank.
Nov 2.	Purchase goods from Trilok and Sons for ₹ 40,000.
Nov 4.	Sold goods for cash ₹ 20,000
Nov 8	Paid to Trilok & Sons and availed cash discount of ₹ 4000.
Nov 10	Paid telephone bill through bank ₹ 500
Nov 12	Purchased furniture worth ₹ 25,000

2012 Nov 15.	Purchased a computer for personal use for ₹ 20,000 paid through bank.
Nov 18.	Purchase goods from Saurabh & Co. on invoice price of ₹ 12,000 At a trade discount of 10%.
Nov 20.	Paid officer expenses ₹ 200.
Nov 22	Issued cheque to Saurabh & Co. to settle his account and available discount ₹ 800.

- 4 a. What is window dressing? Why do companies resort to window dressing? (05 Marks)  
 b. What is cash flow statement? How is it prepared? (05 Marks)  
 c. Record the following transactions in a cash book (10 Marks)

2005 Feb 1.	Commenced business with cash ₹ 10,000.
Feb 6.	Received a cheque for ₹ 5,000 for goods sold.
Feb 7	Issued a cheque for ₹ 500 for furniture purchased
Feb 8	Purchased goods for ₹ 3,000 and paid by cheque
Feb 9	Received a cheque for ₹ 490 in settlement of ₹ 500 from a customer.
Feb 10	Paid into Bank of India ₹ 5,000 from Rangan.
Feb 15	Paid wages ₹ 200
Feb 18	Draw a cheque for personal use ₹ 400
Feb 25	Draw for office use ₹ 250 from bank
Feb 27	Paid electric charges ₹ 1500
Feb 28	Paid salary by cheque ₹ 500.

- 5 a. What is Forensic Accounting? What are its uses? (05 Marks)  
 b. Explain four Conventions of Accounting. (05 Marks)  
 c. What is Human Resource Accounting? Explain in brief various methods of valuing HR. (10 Marks)
- 6 a. What are subsidiary books? Why are they prepared? (05 Marks)  
 b. From the following ledger balances, prepare Trading and P & L A/c and Balance sheet as on 31/3/2011 (Horizontal form)

Particulars	Debit	Credit
Capital	-	20,000
Buildings	15,000	-
Investments	10,000	-
Furniture	1,000	-
Motor car	8,000	-
Purchases / sales	94,000	1,40,000
Returns	500	1,000
Debtors / creditors	15,000	4,800
Expenses	800	-
Cash in hand	300	-
Bank	4,700	-
Rent paid	4,000	-
Commission	1,400	-
Rates & taxes	600	-

Bad debts	200	-
Insurance	400	-
Discount	700	500
Provision for doubtful debts	-	300
Stock	10,000	-
Total	1,66,600	1,66,600

Adjustments :

- i) Outstanding expenses commission ₹ 100, Rent 400.
- ii) Insurance prepaid ₹ 50.
- iii) Maintain provision for doubtful debts @ 5% on debtors.
- iv) Stock on 31/3/2011 ₹ 15,000.
- v) Interest on Investments @ 5% due but not received.
- vi) Depreciate motor car by 10% , Furniture by 2% , Building by 3%.
- vii) Provide interest on capital at 5%.

(15 Marks)

- 7 a. Prepare a Trial balance from the following ledger balances : Capital 12,00,000, Fixed Assets 17,00,000 , Purchases 6,40,000 , Debtors 1,00,000 , Sales 11,30,000 , O/s Salary 10,000 , Proposed dividend 40,000. Provision for taxation 28,000 , Interest on bank deposits 20,000 , Rent received in advance 12,000. (05 Marks)
- b. Mr. Munnabhai, an MBA graduate is appointed as Asst. Manager, Finance by MMM Ltd., and is offered either HRA or Rent Free accommodations which one should be choose? (05 Marks)
- c. If sales of a firm is ₹ 4,00,000, Cost of sales is ₹ 1,80,000, Administrative expenses and selling expenses are ₹ 30,000 and ₹ 20,000 respectively. Dividend received ₹ 10,000, Interest paid ₹ 50,000 and Tax paid ₹ 10,000. Calculate operating profit and net profit. (05 Marks)
- d. Ms. Roopa, the internal auditor, while valuing stock found that the current ratio as per the management accountant's report was 2.6, the liquid ratio being 1.4 and the working capital Rs 1,10,000. Assist her in calculating the value of stock. (05 Marks)
- 8 a. The working capital of ABC Ltd., has deteriorated in recent years and now stands as under :

Current Liabilities		Current Assets	
Creditors	4,90,000	Inventory	5,60,000
Bank loan	2,10,000	Debtors	3,50,000
		Cash	70,000
Total	7,00,000	Total	9,80,000

- i) Compute current ratio and quick ratio.
  - ii) A further bank loan of ₹ 50,000 against debtors is under negotiation. Assuming the loan is received, calculate the revised current and quick ratio.
  - iii) There is also a negotiation going on for discounting the debtors of ₹ 3,50,000 for ₹ 3,15,000 to a collection agency for immediate cash. Also obsolete stock worth ₹ 1,25,000 are being sold for ₹ 80,000 of the cash to be realised by the two transactions, the bank loan is proposed to be reduced to ₹ 1,00,000.
- Calculate current ratio after the transactions are put through and analyze it. (10 Marks)
- b. From the following information prepare cash flow statement by indirect method.

Capital & Liabilities	2007	2006	Assets	2007	2006
Share capital	50,00,000	40,00,000	Fixed Assets	31,00,000	30,00,000
Reserve fund	15,00,000	5,00,000	investment	1,50,000	-
Secured loan	35,00,000	40,00,000	Stocks	75,00,000	78,75,000
Current liab.	50,00,000	60,00,000	Debtors	40,00,000	35,00,000
			Cash	1,50,000	25,000
			Bank	1,00,000	1,00,000
Total	1,50,00,000	1,45,00,000	Total	1,50,00,000	1,45,00,000

Additional Information :

- i) The net profit for the year after adjustment in respect of provisions for dividends and taxation was ₹ 10,00,000.
- ii) There was addition to fixed assets during the year amounting to ₹ 4,00,000 and depreciation for the year was ₹ 3,00,000.

(10 Marks)

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