

USN

--	--	--	--	--	--	--	--	--	--

08MBA14

First Semester MBA Degree Examination, December 2010
Accounting for Managers

Time: 3 hrs.

Max. Marks:100

Note: 1. Answer any FOUR full questions from the Q.No.1 to 7.
2. Question No. 8 is compulsory.

- 1 a. What are the branches of accounting? (03 Marks)
b. From the following information, prepare a stores ledger account under LIFO method :

Dates	Purchase/Issue
1 - 1 - 2009	Opening stock of 1000 units at Rs.5 each
4 - 1 - 2009	Purchased 900 units at Rs.6 each
8 - 1 - 2009	Issued 1000 units
11 - 1 - 2009	Purchased 1000 units at Rs.6.50
21 - 1 - 2009	Issued 500 units
25 - 1 - 2009	Issued 400 units
28 - 1 - 2009	Purchased 200 units at Rs.7.00 each
31 - 1 - 2009	Stock verification revealed that there was shortage of 20 units.

- c. What is window dressing? What are the reasons for window dressing? (07 Marks)
(10 Marks)
- 2 a. What is a personal account? What are the types of personal account? (03 Marks)
b. What is a cash book? What are the different types of cash book? How is the cash book different from a petty cash book? (07 Marks)
c. Analyze the effects of the following transactions, on the accounting equation.
i) Mr. X commenced business with Rs.3,000 in cash, Rs.2,000 inventory and Rs.2,000 in furniture.
ii) He opens a current account with Bank of India and deposits Rs.2,500.
iii) Purchased goods worth Rs.5,000 on credit.
iv) Sold goods costing Rs.2,000 for Rs.2,500 on credit.
v) Made a payment of Rs.500 for office expenses.
vi) Paid Rs.2,000 to the trade creditors.
vii) Received interest income of Rs.5,000.
viii) Fixed deposit is opened for Rs.5,000 with SBI.
ix) Received Rs.500 from trade debtors.
x) Paid interest expenses of Rs.800. (10 Marks)

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.
2. Any revealing of identification, appeal to evaluator and /or equations written eg, 42+8 = 50, will be treated as malpractice.

- 3 a. What is a debit note and a credit note? (03 Marks)
 b. What is a balance sheet? What are its limitations? (07 Marks)
 c. Record the following transactions in the journal of Mr.X :

2009 Jan. 1 st	Started business with Rs.1,00,000
2009 Jan. 8 th	Purchased goods worth Rs.50,000 less 20% trade discount and 5% cash discount
2009 Jan. 12 th	Bought 100 shares of Bharathi Ltd. at Rs.15 per share, brokerage paid Rs.25
2009 Jan. 16 th	Purchased a motor car in exchange of goods Rs.20,000 and cash Rs.30,000
2009 Jan. 20 th	Sold goods to Mr.Y for Rs.60,000 on credit.
2009 Jan. 22 nd	Purchased goods from Ram Rs.25,000
2009 Jan. 26 th	Goods distributed as free samples Rs.1,000
2009 Jan. 29 th	Mr. Y became insolvent and only a dividend of 50 paise is recovered from his estate.
2009 Jan. 30 th	Cash Rs.5,000 is withdrawn by the proprietor for personal use
2009 Jan. 31 st	Paid into bank Rs.5,000

(10 Marks)

- 4 a. What is an inventory turnover ratio? How is it calculated? (03 Marks)
 b. What is a fund flow statement? How it is different from the cash flow statement? (07 Marks)
 c. Prepare purchase and sales day books in the books of XYZ co. from the following transactions :

2008 Jan 1 st	Bought of Sunil, Bombay on credit; 150 copies of advance account by Jain and Narang at Rs.200 each 100 copies of costing by Jain and Narang at Rs.150 each.
2008 Jan 2 nd	Sold to Shri Shawcar; 100 copies of advance account at Rs.250, 50 copies of costing at Rs.200
2008 Jan 3 rd	Bought of Himalaya publishing house 100 copies of Economics at Rs.250, 100 copies of Statistics at Rs.300.
2008 Jan 5 th	Bought of Vikas publishing house; 200 copies of Financial Management at Rs.200, Less : trade discount @ 10%.
2008 Jan 10 th	Sold to Sapna books; 50 copies of Economics at Rs.300
2008 Jan 15 th	Sold to Ramesh and sons; 100 copies of Financial Management @ Rs.250
2008 Jan 18 th	Bought of Sahil of Delhi; 300 copies of Financial Accounting @ Rs.120, Less : trade discount at 10%
2008 Jan 25 th	Bought of Ram and Co. Delhi; 200 copies Investment Management @ Rs.150, Less : trade discount @ 15%
2008 Jan 30 th	Sold to Rakesh; 100 copies of Investment Management at Rs.200, sold 100 copies of Economics @ Rs.300 to Shankar.

(10 Marks)

- 5 a. What is the going concern concept? (03 Marks)
 b. What are the uses of ratio analysis? Explain. (07 Marks)
 c. The working capital of ABC Ltd. has deteriorated in recent years and now stands as under.

Current liabilities	Amount	Current assets	Amount
Creditors	4,90,000	Inventory	5,60,000
Bank loan	2,10,000	Debtors	3,50,000
		Cash	70,000
	7,00,000		9,80,000

- i) Compute current and quick ratios.
 ii) A further bank loan of Rs.50,000 against debtors is under negotiation. Assuming that the loan is received, calculate the revised current and quick ratios.
 iii) There is also a negotiation, going on for discounting the debtors Rs.3,50,000 for Rs.3,15,000 to a collection agency for immediate cash. Also absolute stock worth Rs.1,25,000 is being sold for Rs.80,000 of the cash to be realized by the two transactions, the bank loan is proposed to be reduced to Rs.1,00,000.

Calculate the current ratio after the transactions are put through. (10 Marks)

- 6 a. What is the WDV method of depreciation? (03 Marks)
 b. Explain DuPont analysis. (07 Marks)
 c. A firm purchased a plant on 1st July 2005 for Rs.90,000 and incurred Rs.10,000 on its erection on 30th June 2008. Part of the plant purchased on 1st July 2005 for Rs.50,000 is sold for Rs.30,000. Depreciation is written – off at 10% p.a. The firm closes its books on 31st December each year. Prepare the plant account under SLM. (10 Marks)

- 7 a. What is FIFO? What are its uses? (05 Marks)
 b. Following are the balance sheets of a company :

Liabilities	2007	2008	Assets	2007	2008
Equity capital	50,000	53,000	Cash	20,000	25,000
Long term loan	14,000	13,000	Debtors	24,000	27,000
Retained earnings	28,000	37,000	Stock	31,000	32,000
Accumulated depreciation	21,000	25,000	Other C.A.	8,000	7,000
Creditors	20,000	21,000	Fixed assets	50,000	58,000
	1,33,000	1,49,000		1,33,000	1,49,000

Prepare the funds flow statement.

Additional information :

- i) Fixed assets costing Rs.12,000 were purchased during 2008 for cash.
 ii) Fixed assets (original cost Rs.4,000 : accumulated depreciation Rs.1,500) were sold at book value (Rs.2,500)
 iii) Depreciation for the year amounted to Rs.5,500
 iv) Dividend paid during the year Rs.3,000. (15 Marks)

- 8 From the following balances, prepare trading and profit and loss account and balance sheet as on 31st March 2008 :

Particulars	Debit	Credit
Capital	-	20,000
Building	15,000	-
Investments	10,000	-
Furniture	1,000	-
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	-
Cash at bank	4,700	-
Rent paid	4,000	-
Commission	1,400	-
Rates and taxes	600	-
Bad debts	200	-
Insurance	400	-
Discount	700	500
Provision for doubtful debts	-	300
Opening stock	10,000	-
	1,66,600	1,66,600

Adjustments :

- i) Outstanding expenses : communication Rs.100, rent Rs.400.
- ii) Insurance prepaid Rs.50.
- iii) Maintain provision for doubtful debts at 5% on debtors.
- iv) Stock on 31st March 2008 Rs.15,000.
- v) Interest on investment at 5% due, but not received.
- vi) Depreciate car by 10%, furniture by 2% and building by 3%.
- vii) Provide interest on capital at 5%.

(20 Marks)

* * * * *

USN

--	--	--	--	--	--	--	--	--	--

10MBA14

First Semester MBA Degree Examination, January 2011
Accounting for Managers

Time: 3 hrs.

Max. Marks:100

Note:1. Answer any FOUR full questions, from Q.No. 1 to 7.
2. Question No. 8 is compulsory.

- 1 a. What is an accounting equation? (03 Marks)
 b. Briefly explain the various subsidiary books. (07 Marks)
 c. Enter the following transactions in a three column cash book of Mr. Suresh. (10 Marks)

Feb 1.	Cash balance Rs 3000 and at Bank Rs 10,000
Feb 2.	Cash received from Mr. Rakesh Rs 1950 in full settlement of Rs 2000.
Feb 5.	Purchased goods and paid by cheque Rs 1000.
Feb 6.	Received a cheque from Rajesh Rs 2000.
Feb 7.	Deposited the cheque in the bank.
Feb 11.	Paid rent in cash Rs 500.
Feb 14.	Paid Mr. Ganesh Rs 580 by a cheque and he allowed discount Rs 20.
Feb 18.	Cash withdrawn from bank for office use Rs 1000.
Feb 19.	Stationery purchased Rs 100.
Feb 24.	Draw, from Bank, for personal use Rs 500.

- 2 a. What is a trial balance? (03 Marks)
 b. What is meant by accounting standards? Explain any three accounting standards. (07 Marks)
 c. XYZ Ltd., purchased second hand machinery on 1st April 2005 for Rs 4,00,000 and installed it at a cost of Rs 50000. In October 2006, it purchased another machine for Rs 100000 and on 1st October 2007, it sold off the first machine purchased in 2005 for Rs 2,95,000. On the same date, it purchased a machinery for Rs 2,50,000. On 1st October, 2008 the second machinery purchased for Rs 1,00,000 was sold off for Rs 20,000. In the beginning, depreciation was provided on machinery at the rate of 10% p.a. on the original cost each year, on 31st March. From the year 2006 – 07, however, the company changed the method of providing depreciation and adopted the WDV method, the rate of depreciation being 15%. Give machinery account for the period, 2005 to 2008. (10 Marks)
- 3 a. Distinguish between trade discount and cash discount. (03 Marks)
 b. What are the merits and demerits of LIFO? (07 Marks)
 c. Show the accounting equation on the basis of the following transactions : (10 Marks)
- i) Mr. Suresh started business with cash Rs 1,00,000.
 - ii) Purchased goods on credit Rs 60,000.
 - iii) Purchased furniture for cash Rs 20,000.
 - iv) Sold goods costing Rs 30,000 for Rs 50,000.
 - v) Sold goods costing Rs 30,000 on credit for Rs 52,000.
 - vi) Bought goods worth Rs 30,000 (Rs 25,000 paid in cash and balance on credit).
 - vii) Drawn for personal use Rs 5,000.
 - viii) Paid for rent Rs 2,000.
 - ix) Paid for salary Rs 4,000.
 - x) Paid to creditors Rs 40,000.
 - xi) Received from debtors Rs 12,000.

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.
 2. Any revealing of identification, appeal to evaluator and /or equations written eg, 42+8 = 50, will be treated as malpractice.

- 4 a. What is window dressing? (03 Marks)
 b. Name the 4 conventions of accounting and explain any 3 of them. (07 Marks)
 c. From the following details of stores receipts and issues of materials, prepare stores ledger, using WEIGHTED AVERAGE method of issues of materials : (10 Marks)

March 1.	Opening stock of 3000 units @ Rs 5 each.
March 3.	Issued to production 1000 units
March 4.	Received 4500 units @ Rs 6.00 each.
March 8.	Issued 1500 units to production.
March 9.	Return to stores 100 units by the production dept issued on March 3.
March 16.	Received 2000 units @ Rs 6.00 each.
March 19.	Return to supplier 300 units, out of the quantity received on March 4.
March 20.	Received 1000 units @ Rs 5 each
March 24.	Issued to production 2000 units
March 27.	Received 1100 units @ Rs 7 each.

- 5 a. Distinguish between tangible and intangible assets. (03 Marks)
 b. Explain the importance of cash flow statement. (07 Marks)
 c. The following are the summarized balance sheets of X Ltd on 31st Dec 2008 and 31st Dec 2009. (10 Marks)

Liabilities	2008	2009	Assets	2008	2009
Share capital	6,00,000	8,00,000	Plant & Machinery (at cost)	4,00,000	6,45,000
Debenture	2,00,000	3,00,000	Land & Building (at cost)	3,00,000	4,00,000
P/L a/c	1,25,000	2,50,000	Stock	3,00,000	3,50,000
Creditors	1,15,000	90,000	Bank	20,000	40,000
Provisions for bad & doubtful debts	6,000	3,000	Preliminary expenses	7,000	6,000
<u>Provision for depreciation :</u> on land & building.	20,000	24,000	Debtors	69,000	61,000
on plant & machinery	30,000	35,000			
Total	10,96,000	15,02,000	Total	10,96,000	15,02,000

Additional information :

- i) During the year a part of machinery costing Rs 70,000 (accumulated depreciation there on Rs 2000) was sold for Rs 6,000.
 ii) Dividend of Rs 50,000 was paid during the year.
 You are required to ascertain : a) Changes in working capital for 2009 b) Funds flow statement.
- 6 a. What are the advantages of maintaining a petty cash book? (03 Marks)
 b. Mention the merits of ratio analysis. (07 Marks)
 c. What are the basic ingredients of board of directors report? Explain. (10 Marks)
- 7 a. Explain the stages of accounting cycles. (03 Marks)
 b. Show Du – Pont chart and explain in brief. (07 Marks)

c. XYZ Ltd has the following capital structure :

(10 Marks)

30,000 equity shares of Rs 100 each	30,00,000
10 % 5000 preference shares of Rs 100 each	5,00,000
10 % 5000 debenture of Rs 100 each	5,00,000
Total	40,00,000

During the previous year the company made an operating profit (EBIT) of Rs 10,00,000. Determine the EPS (earning per share), dividend per shares (DPS) and price earnings ratio (PIE). You may assume pay out policy of 50% , tax rate 50% and market price per share Rs 200.

8 Raviraj Electronics Ltd., Mangalore gives the following trial balance as on 31.12.2009.

Trial Balance

Gross profits		76,000
Discount allowed	6,400	
Salaries	14,700	
Profit and loss appropriation		20,760
Rent and Rates	8,450	
Insurance	3,600	
Audit Fee	850	
Furniture	30,000	
Equipments	70,000	
Share capital		2,00,000
Discount received		7,400
Cash at Bank	28,000	
B/R	14,000	
Investments	10,000	
Stock	20,000	
Transfer fees		1,590
Land & Building	2,00,000	
Loan		30,000
Debentures		60,000
General reserve		8,000
Creditors		2,600
Debtors	4,000	
Total	4,10,000	4,10,000

Adjustments :

1. Directors proposed a dividend of 15% on share capital.
2. Depreciate furniture by 10%.
3. Transfer to general reserve Rs 20,000.
4. Insurance is prepaid Rs 600.
5. Salaries O/s is Rs 1,300/- and Rent O/s Rs 150.
6. Provide for debenture interest @ 10% p.a.

Prepare the Company's Profit and Loss a/c, Profit and Loss Appropriate a/c, and Balance sheet for the year ended 31.12.2009.

(20 Marks)

