

USN

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

**First Semester MBA. Degree Examination, December 2011**  
**Accounting for Managers**

Max. Marks:100

Time: 3 hrs.

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

- 1 a. What does GAAP mean? (03 Marks)  
b. Identify the different users of financial reports. (07 Marks)  
c. Explain any five accounting concepts. (10 Marks)
- 2 a. What is meant by the term 'Marshalling'? (03 Marks)  
b. What are the 'books of original entry'? Explain various subsidiary books, with their specimens. (07 Marks)  
c. Enter the following transactions in the cash book with discount, cash and bank column's and show the balances. (10 Marks)

2011 Jan 1	Commenced business with cash	Rs 10,000
2	Paid into bank	Rs 8,000
7	Purchased goods by cheque payment	Rs 3,000
8	Paid rent	Rs 150
12	Purchased furniture and paid by cheque	Rs 180
15	Cash sales	Rs 650
16	Issued Gopal a cheque for	Rs 970
16	Discount received	Rs 30
18	Received a cheque from Narayan	Rs 1500
18	Discount allowed to him	Rs 30
21	Paid into bank	Rs 1500
25	Paid wages	Rs 60
28	Drew for office use	Rs 400
30	Received from Govind	Rs 100
31	Withdrew for personal use by cheque	Rs 150

- 3 a. Distinguish between trial balance and balance sheet. (03 Marks)  
b. What is adjustment entry? Show the necessary entries to adjust the following :  
i) Outstanding salaries – Rs 1200    ii) Prepaid insurance premium – Rs 450  
iii) Rent received in advanced – Rs 300    iv) Bad debts written off – Rs 200  
v) Depreciation on machinery – Rs 800. (07 Marks)  
c. The following balances were extracted from the books of M/s Vinayaka Traders as on 31.3.2011.

	Debit	Credit
Capital	-	19,400
Purchase and Sales	41,400	55,140
Trade Debtors & Creditors	7,250	3,860
Stock as on 1.4.2010	4,120	-

Important Note : i. 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.

Balance at Bank	3,920	-
Drawings	4,600	-
Motor van expenses	510	-
Motor van	6,250	-
Rent and rates	750	-
Salaries	8,120	-
Reserve for doubtful debts	-	250
Bad debts	230	-
General expenses	1,120	-
Discount allowed and received	1,050	910
Insurance	240	-
Total	79,560	79,560

The following are the adjustments to be made :

- i) Salaries and rent accrued but not paid Rs 820 and Rs 150 respectively.
- ii) Insurance paid in advance Rs 40.
- iii) Maintain the reserve for doubtful debts at Rs 300.
- iv) Depreciation on Motor van to be made at 10%.
- v) The stock in trade as on 31<sup>st</sup> March 2011 was valued at Rs 5040.

You are required to prepare a trading, profit & loss account for the year ending 31<sup>st</sup> March 2011 and the Balance sheet as on that date. (10 Marks)

- 4 a. "Owners capital is recorded as liability". Do you agree? Why? (03 Marks)
- b. Define inventory. Briefly discuss the various methods of inventory valuation. (07 Marks)
- c. Prepare the stock ledger account for the month of January 2011 from the following particulars of receipts and issues of the materials on the basis of LIFO method. (10 Marks)

2011 Jan 1 Opening balance 300 kgs @ Rs 25 per kg  
 3 Purchased 500 kgs @ Rs 26.60  
 4 Issued 220 kgs  
 10 Issued 440 kgs  
 20 Purchased 490 kgs @ Rs 2300 / kg  
 25 Issued 300 kgs  
 26 Surplus 20 kgs returned to stores out of issues on 4<sup>th</sup> Jan through MRN - 1.

- 5 a. What do you mean by amortization? (03 Marks)
- b. What is ratio analysis? Briefly explain its importance and limitations. (07 Marks)
- c. You are required to prepare the machinery account in the books of Mr. Venkatesh for the three years ending 31.12.2010.
- i) 'A' machine was purchased on 1.4.2008 for Rs 40,000.
  - ii) 'B' machine was purchased on 1.7.2009 for Rs 30,000.
  - iii) 'A' machine was sold on 30.9.2009 for Rs 35,000.
  - iv) 'C' machine was purchased on 30.9.2010 for Rs 40,000.
- All the machines were depreciated at 10% on reducing balance method. (10 Marks)

- 6 a. What is EPS? How do you calculate EPS? (03 Marks)
- b. What is depreciation? Briefly explain the methods of depreciation. (07 Marks)
- c. From the following balance sheet and the subjoined information of a company, you are required to calculate the following : i) Current ratio ii) Quick ratio iii) Inventory turnover ratio iv) Average collection period presuming 360 days in a year v) Owners equity to liabilities ratio

## Balance Sheet

Share capital	2,00,000	Goodwill	1,20,000
Reserve & Surplus	58,000	Plant & Machinery	1,50,000
Debentures	1,00,000	Stock	80,000
Creditors	40,000	Debtors	45,000
Bills payable	20,000	Cash	17,000
Other current liabilities	2,000	Misc. current assets	8,000
Total	4,20,000	Total	4,20,000

Sales (credit) for the year Rs 4,00,000 ; Gross profit Rs 1,60,000.

(10 Marks)

- 7 a. What is activity ratio? Indicate any two ratios. (03 Marks)  
 b. What is window dressing? Explain different ways in which a firm can do window dressing. (07 Marks)  
 c. From the following information, calculate cash from operation. (10 Marks)

	2009(Rs)	2010 (Rs)
Profit & Loss account (credit)	40,000	50,000
Debtors	20,000	26,000
Bills receivable	20,000	12,000
Prepaid rent	2,000	3,000
Prepaid insurance	1,000	800
Goodwill	20,000	14,000
Depreciation	32,000	40,000
Creditors	20,000	30,000

- 8 Following are the summarized balance sheets of M/s Cosmos Limited, as on 31<sup>st</sup> Dec 2009 and 2010.

## Balance sheet (Rs in '000)

	2009	2010		2009	2010
Share capital	200	250	Land & Building	200	190
General reserve	50	60	Plant & Machinery	150	169
P & L A/c	30.5	30.6	Stock	100	74
Bank loan	70	-	Sundry debtors	80	64.2
Sundry creditors	150	135.2	Cash balance	0.5	0.6
Provision for taxation	30	35	Bank balance	-	8
			Goodwill	-	5
Total	530.5	510.8	Total	530.5	510.8

The following information is available :

- a. During the year ended 31<sup>st</sup> Dec 2010 : i) Dividend of Rs 23000 was paid ii) Assets of another company were purchased for Rs 50000 payable in shares, assets purchased were : stock Rs 20000 and machinery Rs 25000 iii) Machinery of Rs 8000 was purchased in addition to that of (ii) above.  
 b. Depreciation written off during the year 2010: Building Rs 10,000 and Machinery Rs 14000  
 c. The net profit for the year 2010 was Rs 66100/-  
 d. Income tax paid during the year 2010 was Rs 28000 and provision of Rs 33000 was made for profit and loss account.

Prepare a statement of sources and applications of funds for the year ended 31<sup>st</sup> Dec 2010 and the schedule setting out the changes in working capital. (20 Marks)

\*\*\*\*\*

