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10MBA14

First Semester MBA Degree Examination, December 2012
Accounting for Managers

Time: 3 hrs.

Max. Marks:100

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

- 1**
- a. What is journal proper? What entries are recorded in it? (03 Marks)
 - b. What is accounting standards? Explain any three accounting standards. (07 Marks)
 - c. Explain any five accounting concepts. (10 Marks)
- 2**
- a. What is common size statement? (03 Marks)
 - b. What are the books of original entry? Explain various subsidiary books with their specimen. (07 Marks)
 - c. Enter the following transactions in the cash book with discount, cash and bank columns and show the balance:

2011 January

| | | |
|----|---|----------|
| 1 | Commenced business with cash | Rs.10000 |
| 2 | Paid into bank | Rs.8000 |
| 7 | Purchased goods by cheque payment | Rs.3000 |
| 10 | Cash sales | Rs.650 |
| 16 | Issued Sanjana a cheque for | Rs.970 |
| | Discount received | Rs.30 |
| 18 | Received a cheque from Sahana and deposited | Rs.1500 |
| | Discount allowed | Rs.30 |
| 21 | Paid in to bank | Rs.1500 |
| 28 | Draw for office use | Rs.400 |
| 30 | Received from Shankar | Rs.100 |
| 31 | With draw for personal use by cheque | Rs.150 |

(10 Marks)

- 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.400
 - iii) Rent received in advance – Rs.350
 - iv) Bad debts written off – Rs.200
 - v) Depreciation on machinery – Rs.500(07 Marks)

- c. From the following trial balance prepare trading and profit and loss account for the year ended 31st December 2010 and

| | Dr. Rs. | Cr. Rs. |
|------------------------------------|----------|----------|
| Drawings | 10,000 | - |
| Stock on 1.1.2010 | 46,000 | - |
| Purchase and purchase returns | 150,200 | 600 |
| Bank balance | 26,060 | - |
| Cash in hand | 4,000 | - |
| Free hold premises | 38,600 | - |
| Trade expenses | 840 | - |
| Printing and stationary | 1,640 | - |
| Professional charges | 280 | - |
| Commission received | - | 3,300 |
| Interest received | - | 200 |
| Sundry debtors and creditors | 36,000 | 29,000 |
| Wages | 25,000 | - |
| Salaries | 14,000 | - |
| Capital | - | 1,14,000 |
| Income Tax | 1,600 | - |
| Discount allowed and received | 6,300 | 4,600 |
| Sales returns and sales | 550 | 2,08,950 |
| Bills receivable and bills payable | 3,200 | 10,000 |
| Office furniture | 3,050 | - |
| Rent, rates and insurance | 4,000 | - |
| Bad debts provision | - | 670 |
| Total | 3,71,320 | 3,71,320 |

Adjustments :

- i) Out standing wages RS.5000.
 - ii) Write off 5% depreciation on freehold premises and 10% on office furniture.
 - iii) Insurance to the extent of Rs.200 relates to 2011.
 - iv) Stock on 31.12.2010 is Rs.52,000
 - v) Further bad debts are Rs.1000
 - vi) Provide for doubtful debts @ 5% on sundry debtors. (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:
- | | |
|-----------------|---|
| 2011 January 1 | Opening balance 300 kgs @ RS.25 per kg |
| 2011 January 3 | Purchased against Po. No. 110, 500 kgs @ Rs.26.60 |
| 2011 January 4 | Issued 220 kgs vide stores requisition No.1 |
| 2011 January 10 | Issued 440 kgs vide stores requisition No.2 |
| 2011 January 20 | Purchased against P. No.111, 490 kgs @ Rs.23.00 |
| 2011 January 25 | Issued 300 kgs vide stores requisition No.3 |
| 2011 January 26 | Surplus 20 kgs returned to stores out of the issues on 4 th Jan., through MRN No.1 |
| 2011 January 27 | Received 10 kgs balance against Po 111 @ Rs.23.00 |
| 2011 January 28 | Purchased 100 kgs against Po 112 @ Rs. 24.00 |

(10 Marks)

- 5 a. What is amortization? (03 Marks)
 b. What is depreciation? Explain in brief the causes and need for providing depreciation. (07 Marks)
 c. You are required to prepare the machinery account in the books of Mr. Sadananda 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. Bring out the meaning of ratio analysis. What are the objectives, merits and demerits of ratio analysis? (07 Marks)
 c. From the following balance sheet and the subjoined information of a company. You are required to calculate:
 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 | Good will | 1,20,000 |
| Reserves and surplus | 58,000 | Plant and 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 |
| | 4,20,000 | | 4,20,000 |

Sales (credit) for the year Rs.4,00,000

Gross profit for the year 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 operations:

| | 2009 | 2012 |
|----------------------------------|--------|--------|
| | Rs. | Rs. |
| Profit and 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 |

(10 Marks)

- 8 Following are the summarized balance sheet of M/S. Cosmos limited as on 31st December 2009 and 2010.

| Balance Sheet | | | (Rs. in '000) | | |
|------------------------|-------|-------|---------------------|-------|-------|
| | 2009 | 2010 | | 2009 | 2010 |
| Share capital | 200 | 250 | Load and building | 200 | 190 |
| General reserve | 50 | 60 | Plant and machinery | 150 | 169 |
| P and L account | 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 |
| | | | Good will | - | 5 |
| | 530.5 | 510.8 | | 530.5 | 510.8 |

The following additional information is available:

- During the year ended 31 Dec. 2010.
Dividend of Rs.23000 was paid.
Assets of another company were purchased for Rs.50,000 payable in shares. Assets purchased were stock RS.20,000 and machinery Rs.25,000.
Machinery of Rs.8000 was purchased in addition to that of (ii) above.
- Depreciation written off during the year 2010:
Building Rs.10000 and machinery Rs.14000.
- The net profit for the year 2010 was Rs.66,100.
- Income tax paid during the year 2010 was Rs.28,000 and provision of Rs.33,000 was made to profit and loss account.
Prepare a statement of sources and application of funds for the year ended 31st December 2010 and the schedule setting out the changes in working capital. **(20 Marks)**

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