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10MBA14

First Semester MBA Degree Examination, June/July 2011
Accounting for Managers

Time: 3 hrs.

Max. Marks:100

Note: Answer any FIVE full questions.

- 1 a. What is Quick Ratio? (03 Marks)
b. Classify the following accounts into Personal, Real and Nominal accounts : i) Stock A/c
ii) Drawings A/c iii) Capital A/c iv) Cash A/c v) Bad debts A/c
vi) Goodwill A/c vii) Salary outstanding A/c. (07 Marks)
c. What are the accounting concepts? Explain in brief. (10 Marks)
- 2 a. What are types of personal accounts? (03 Marks)
b. What is depreciation? Distinguish between SLM and WDV methods of depreciation. (07 Marks)
c. Analyse the effects of these transactions on the accounting equation. (10 Marks)

2004 March

- 1st Suresh began business with Rs 1,50,000 cash and Rs 20,000 bank.
- 2nd Took a loan of Rs 50,000 from Mahesh
- 3rd Purchased for cash two computers each costing Rs 50,000 and goods costing Rs 25,000 on credit.
- 4th Paid to Creditors Rs 5000.
- 10th Paid salary to employees Rs 5000 and office rent Rs 2000.
- 12th Sold goods on credit Rs 10,000
- 15th Withdrew Rs 5000 in cash for personal use.
- 18th Withdrew from bank Rs 2,000.
- 20th Purchase goods worth Rs 50,000
- 25th Sold goods on cash Rs 20,000

- 3 a. Write any three examples of fictitious assets. (03 Marks)
b. Journalise the following transactions in the books of Komal.

i) Komal started his business with the following :

Cash in hand	1500
Cash at bank	13,500
Goods in hand	3,000
Furniture	2,000
Building	10,000
Bank overdraft	5,000

- ii) Gave charity Rs 100.
- iii) Loan taken from the bank Rs 5000.
- iv) Purchased a motor car in exchange for goods Rs 2,000 and cheque Rs 3,000.
- v) Paid proprietor's life insurance premium Rs 1,000.
- vi) Bought goods from Lakshman on account Rs 5,000.
- vii) Furniture costing Rs 500 was destroyed by fire and recovered Rs 100. (07 Marks)

- c. Prepare three column cash book from the following transactions : (10 Marks)

2006 Aug

- 1st Cash in hand Rs 25,000 and Bank balance Rs 40,000.
 2nd Purchased goods for cash Rs 5,000
 4th Sold goods on account to Vikas Rs 8,000.
 6th Purchased office furniture and issued a cheque Rs 5,000
 7th Draw from bank for office use Rs 2,000 and for personal use Rs 1,000.
 9th Purchased goods for cash Rs 15,000.
 12th Purchased motor cycle on account from Saikrupa motors for Rs 30,000.
 13th Received from Vikas a cheque to settle his account and discount allowed to him Rs 100.
 15th Paid wages Rs 500.
 18th Sold goods for cash Rs 10,000.

- 4 a. What is ROCE? (03 Marks)
 b. What is window dressing? Why is it used? (07 Marks)
 c. From the following information, prepare stores ledger under FIFO method. (10 Marks)

Date	Transactions
1/1/2001	Opening stock 1000 units @ Rs 8 each
3/1/2001	Issued 200 units
5/1/2001	Purchased 2000 units @ Rs 9 each.
7/1/2001	Return to supplier 50 units out of the lot purchased on 5 th January 2001.
8/1/2001	Issued 400 units
10/1/2001	Return to stores 80 units out of the lot issued on 8 th Jan 2001
12/1/2001	Purchased 500 units @ Rs 9 each
14/1/2001	Issued 500 units
16/1/2001	Purchased 500 units @ Rs 10 each
20/1/2001	When a physical verification was done, it was found that there is a shortage of 50 units.

- 5 a. What are the rules of Personal, Real and Nominal accounts? (03 Marks)
 b. What are the uses and limitations of ratio? (07 Marks)
 c. PQR Ltd purchased a plant on 1st April 2000 for Rs 4,50,000 and incurred installation charges of Rs 50,000. On 30th September 2000, it purchased second hand plant for Rs 1,00,000. On 1st Oct. 2002 it sold the 1st plant purchased on 1st April 2000 for Rs 3,65,000. On 30th Sept 2003 it sold the second plant purchased on 30th Sept 2000 for Rs 75,000 and purchased another plant for Rs 1,50,000. Depreciation was provided at the rate of 10% on original cost on 31st March each year. Show the plant A/c for the period 2000 - 01 to 2003 - 04. (10 Marks)
- 6 a. What is GAAP? (03 Marks)
 b. What is ledger? How is it different from Journal? (07 Marks)
 c. The working capital of ABC Ltd has deteriorated in recent years and now stands as under :

Current Liabilities	Amt	Current Assets	Amt
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) Calculate current and quick ratios.
 ii) A further bank loan of Rs 50,000 against debtor is under negotiation. Assuming the loan is received, calculate the revised current and quick ratio. (10 Marks)
- 7 a. Distinguish between Fund flow statement and Cash flow statement. (05 Marks)
 b. The summarized Balance sheet of P Ltd as on 31st Dec 1998 and 1999 are as follows :

Assets	31-12-1998	31-12-1999
Fixed Assets at cost	16,00,000	19,00,000
Less : Depreciation	4,60,000	5,80,000
	11,40,000	13,20,000
Trade investment	2,00,000	1,60,000
Current assets	5,60,000	6,60,000
Preliminary expenses	40,000	20,000
Total	19,40,000	21,60,000

Liabilities & Capital	31-12-1998	31-12-1999
Share capital	6,00,000	8,00,000
Capital Reserves	-	20,000
General Reserves	3,40,000	4,00,000
Profit & Loss A/c	1,20,000	1,50,000
Debentures	4,00,000	2,80,000
Liabilities for goods & Services	2,40,000	2,60,000
Provision for income tax	1,80,000	1,70,000
Proposed dividend	60,000	72,000
Unpaid dividend		8,000
Total	19,40,000	21,60,000

During 1999 the company

- Sold one machine for Rs 50,000, the cost of machine was Rs 1,28,000 and the depreciation provided for it amounted to Rs 70,000.
- Provide Rs 1,90,000 as depreciation.
- Redeemed 30% of debentures @ 103.
- Sold some trade investments at profit credited to capital reserve.
- Decided to value the stock at cost. Whereas previously the practice was to value stock at cost less 10%. The stock according to books on 31-12-1998 was Rs 1,08,000. The stock on 31-12-1999 Rs 1,50,000 was correctly valued at cost.

Estimate the changes in WC. Prepare a P & L A/c and a fund flow statement. (15 Marks)

- 8 Prepare Trading A/c, Profit & Loss A/c, Profit & Loss appropriation A/c and Balance sheet from the following information.

Particulars	Dr (Rs)	Cr (Rs)
Share capital (10,000 shares)	-	10,00,000
Calls on arrears	5,000	-
10% debentures	-	4,00,000
Debtors & Creditors	1,00,000	50,000
BR / BP	2,50,000	1,00,000
Purchases / Sales	45,00,000	50,00,000
Stock (1-4-2005)	2,00,000	-
Bank loan @ 6%	-	2,00,000
Interest on bank loan	6,000	-
Preliminary Exp	10,000	-

Plant & Machinery	4,50,000	-
Furniture	2,00,000	-
Equipments	1,20,000	-
Investments	2,00,000	-
Goodwill	2,00,000	-
Freehold building	30,000	-
Cash in hand	80,000	-
Cash at bank	1,60,000	-
Manufacturing Expenses	50,000	-
Manufacturing wages	30,000	-
Rent, rates & taxes	4,000	-
Salaries	50,000	-
Machinery Repairs	2,000	-
Discount	500	-
Freight inward	500	-
Insurance	2,000	-
Selling & distribution Expenses	1,00,000	-
Total	67,50,000	67,50,000

Adjustments :

- i) Closing stock is valued at Rs 1,50,000.
- ii) Insurance is unexpired to the extent of Rs 500.
- iii) Write off $\frac{1}{4}$ th of the preliminary expenses.
- iv) Outstanding : Salaries Rs 1,000 and interest on bank loan for 6 month.
- v) Create provision for bad debts Rs 5,000.
- vi) Depreciate : Plant & Machinery by 15% and Furniture and equipments by 10%.
- vii) Directors propose a dividend of 5% on capital.

(20 Marks)
