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## First Semester MBA Degree Examination, June/July 2013

### Accounting for Managers

Time: 3 hrs.

Max. Marks:100

**Note: 1. Answer any FOUR full questions from Q.No.1 to Q.No.7.**

**2. Question No. 8 is compulsory.**

- 1**
- a. What are accounting standards? (03 Marks)
  - b. Mention the merits and demerits of ratio analysis. (07 Marks)
  - c. Y Ltd. company purchased a secondhand machinery on 1<sup>st</sup> Jan 2007 for Rs.3,70,000 and immediately spent Rs.20,000 on its repairs and Rs.10,000 for installation on 1<sup>st</sup> July 2008, it purchased another machinery for Rs.1,00,000.

On 1<sup>st</sup> July 2009, it sold off the first machine for Rs.2,50,000 and bought another for Rs.3,00,000. Depreciation was provided on the machine @10% on original cost annually on 31<sup>st</sup> December. With effect from 1<sup>st</sup> Jan 2010, the company changed the method of providing depreciation and adopted WDV method and rate of depreciation was 15% p.s. Prepare machinery a/c for 4 years. (10 Marks)

- 2**
- a. What is contra entry? Give an example. (03 Marks)
  - b. Explain the following subsidiary books and give their specimen also.
    - i) Sales book
    - ii) Purchase book
    - iii) Sales return book
    - iv) Petty cash book (07 Marks)
  - c. Show the accounting equation on the basis of the following transactions and present a balance sheet on the basis of ending equation:
    - i) Mohan commenced business with cash Rs.70,000.
    - ii) Purchased goods on credit Rs.14,000.
    - iii) Withdraw for private use Rs.3,000.
    - iv) Goods purchased for cash Rs.10,000.
    - v) Paid wages Rs.2,000.
    - vi) Paid to creditors Rs.10,000.
    - vii) Sold goods on credit (cost price Rs.10,000) Rs.15,000.
    - viii) Sold goods for cash (cost price Rs.3000) Rs.6000.
    - ix) Purchased furniture for cash Rs.2000. (10 Marks)

- 3**
- a. What is imprest system of petty cash? Use an example to explain. (03 Marks)
  - b. Explain briefly any six concepts of accounting. (07 Marks)
  - c. Prepare a three column cash book.

2008, June 1	Cash balance Rs.1,00,000; Bank balance Rs.3,50,000	
June 5	Cash received from sale of shares rs.11,00,000	
June 6	Paid into bank Rs.10,00,000	
June 7	Paid Jyoti by cheque Rs.2,50,000	
June 9	Paid wages in cash Rs.60,000	
June 20	Received from Tarren by a cheque and sent to bank Rs.1,20,000	
June 21	Drawn from bank Rs.1,00,000	
June 29	Paid office salaries in cash Rs.80,000	
June 30	Sold goods for cash and banked the same Rs.1,60,000	
June 30	Paid rent by cheque Rs.20,000; paid into bank Rs.1,50,000	(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.

- 4 a. What is window dressing? (03 Marks)  
 b. Define depreciation? Explain any three methods of providing depreciation. (07 Marks)  
 c. Draw a stores ledger card, recording the following transactions that took place in a month under FIFO method.

Jan 3 Purchases 800 units @ Rs.20 per unit  
 Jan 8 Purchases 700 units @ Rs.18 per unit  
 Jan 9 Issue 600 units  
 Jan 11 Issue 800 units  
 Jan 17 Purchases 800 units @ Rs.20 per unit  
 Jan 25 Purchases 500 units @ Rs.25 per unit  
 Jan 31 Issue 1000 units.

(10 Marks)

- 5 a. What are accounting conventions? List them. (03 Marks)  
 b. What are the rights and duties of a company auditor? (07 Marks)  
 c. With the help of the following ratios regarding Indu films, draw the balance sheet of the company for the year 2007.

Current ratio = 2.5; Liquidity ratio = 1.5; Net working capital = Rs.3,00,000; Stock turnover ratio (cost of sales/closing stock) = 6 times; Gross profit ratio = 20%; Fixed assets turnover ratio (on cost of sales) = 2 times; Debt collection period = 2 months; Fixed assets to shareholder net worth = 0.80; Reserves and surplus to capital = 0.50 (10 Marks)

- 6 a. What is return on capital employed? (03 Marks)  
 b. What are the objects of preparing funds flow statement? (07 Marks)  
 c. PQR Ltd has the following capital structure:

5000 equity shares of Rs.100 each	Rs.5,00,000
10% 25000 preference shares of Rs.10 each	Rs.2,50,000
8% 2500 debentures of Rs.100 each	Rs.2,50,000
Total	<u>Rs.10,00,000</u>

During the previous year the company made an operating profit (EBIT) of Rs.4,00,000. Determine the earning per share (EPS), dividend per share (DPS) and price earning ratio (P/E ratio). You may assume payout policy 50%, tax rate of 50% and market price per share Rs.200. (10 Marks)

- 7 a. Explain Du Pont analysis. (05 Marks)  
 b. From the following balance sheets of A Ltd make out the statement of sources and uses of funds.

Liabilities	2004	2005	Assets	2004	2005
Equity share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
8% redeemable preference shares	1,50,000	1,00,000	Land and Building	2,00,000	1,70,000
General reserve	40,000	70,000	Plant	80,000	20,000
Profit and loss a/c	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed dividend	42,000	50,000	Stock	77,000	10,9000
Creditors	55,000	83,000	Bills receivable	20,000	30,000
Bills payable	20,000	16,000	Cash in hand	15,000	10,000
Provision for tax	40,000	50,000	Cash at bank	10,000	8,000
	<u>6,77,000</u>	<u>8,17,000</u>		<u>6,77,000</u>	<u>8,17,000</u>

Additional Information:

- i) Depreciation of Rs.10,000 and Rs.20,000 have been charged on plant account and land & buildings account respectively.  
 ii) An interim dividend of Rs.20,000 has been paid in 2005.  
 iii) Income tax Rs.35,000 was paid during the year 2005. (15 Marks)

- 8 From the following trail balance prepare trading and profit & loss account for the year ended 31<sup>st</sup> December 2007 and balance sheet as on date:

Particulars	Dr. (Rs)	Cr. (Rs)
Purchases and sales	2,75,000	5,20,000
Returns	15,000	9000
Carriage	12,400	-
Wages and salaries	58,600	-
Trade expenses	2200	-
Rent	-	13000
Insurance	2000	-
Audit fees	1200	-
Debtors and creditors	1,10,000	62,100
B/R and B/P	3300	2200
Printing and advertising	5500	-
Commission	-	1000
Opening stock	36,000	-
Cash in hand	12,800	-
Cash at bank	26,800	-
Bank loan	-	20,000
Interest on loan	1500	-
Capital	-	2,50,000
Drawings	15000	-
Fixed assets	3,00,000	-
<b>Total</b>	<b>8,77,300</b>	<b>8,77,300</b>

Adjustments:

- Stock at the end Rs.60,000.
- Depreciate fixed assets by 10%.
- Commission earned but not received Rs.400.
- Rent received in advance Rs.1000.
- Interest on bank loan @ 15% p.a. is unpaid for the last 6 months.
- Allow 8% interest on capital and charge Rs.900 as interest on drawings.

(20 Marks)

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