

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 01 – • EXAMINATION – SUMMER 2017

Subject Code: 2810001

Date: 05/05/2017

Subject Name: Accounting for Managers

Time: 10.30 AM to 1.30 PM

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

- Q – 1 (A) Select the correct answer (one marks each). 6
1. The words “to balance b/f” or “by balance b/f” are mentioned at the time of posting of
A. all compounding entries. B. an opening entry
C. a closing entry D. adjustment entry
 2. Which of the following is cash transaction?
A. sold goods B. sold goods to Ram
C. sold goods to Ram on credit D. sold goods on Ram’s account.
 3. Patent right is:
A. personal account B. real account
C. nominal account D. expense account
 4. Closing stock appearing in the trial balance is shown on the:
A. credit side of P/L B. expense side of P/L
C. asset side of balance sheet D. liability side of balance sheet
 5. Goodwill is:
A. current asset B. fictitious asset
C. tangible asset D. intangible asset
 6. Drawings are deducted from:
A. sales B. purchases
C. returns outwards D. capital
- Q – 1 (B) Explain the following terms in one or two lines with example. (one marks each) 4
1. Contingent Liability
 2. Fictitious assets
 3. An investment Property
 4. Non operating income
- Q – 1 (C) Discuss the types of accounts and the rules for debit and credit for these accounts. 4
- Q – 2 (A) Draw the vertical format of Income Statement and Balance Sheet. 7
- Q – 2 (B) Explain any four accounting concepts in brief with example. 7

OR

Q – 2 (B) Write a short note on IFRS.

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Q – 3 (A) Journalize the following transactions.

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1. Paid rent for the building Rs. 12,000 half of the building is used by the proprietor the personal use.
2. Paid fire insurance of the above building in advance Rs. 1,000.
3. Paid life insurance premium Rs. 2,000.
4. Charge depreciation on furniture @ 10% p.a. for one month (furniture Rs. 12,000).
5. Bought goods of the list price of Rs. 1,25,000 from Mohan less 20% trade discount and 2% cash discount and paid 40% by cheque.
6. Sold goods costing Rs. 40,000 to Anil at a profit 20% on sales less 20% trade discount and charged 8% sales tax and paid cartage Rs. 100 (to be charged from customer)

Q – 3 (B) X Ltd. purchased a second hand machine on 1 January 2001 for Rs. 37,000 and immediately spent Rs. 2,000 on its repairs and Rs. 1,000 on erection. On 1 July 2002, it purchased another machine for Rs. 10,000 and on 1 July 2003 sold off the first machine purchased on 1 January 2001 for Rs. 28,000. On the same day, it purchased a machine for Rs. 25,000. On 1 July 2004 the second machine purchased for Rs. 10,000 was also sold off at Rs. 2,000. Depreciation was provided on the machine at the rate of 10% on the original cost annually on 31 December. The company follows the year end at December.

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OR

Q – 3 (A) A retail shop dealing in knitwear has the following transactions during June 2008.

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Date	Purchase/ sales	Units	Rate per unit
June 2	Purchase	1,000	50
June 8	Purchase	500	60
June 12	Sale	500	70
June 15	Purchase	800	70
June 18	Sale	1,000	85
June 24	Purchase	500	85
June 28	Sale	800	100

You are required to compute:

(A) The gross profit earned during June

(B) The value of closing stock by using FIFO, LIFO and Weighted average method.

Q – 3 (B) Ganesh quit his job and started a new business “Woodcraft décor”. The transactions for the month of September are as follows:

7

1. Begun business by investing cash Rs. 10000 in share capital.
2. Paid two months’ rent in advance Rs. 2000.
3. Bought equipment for cash Rs. 1200.
4. Bought supplies on credit Rs. 700
5. Received payment for remodeling kitchen Rs. 8600

6. Paid for advertisement Rs. 1400
7. Received payment for office furnishing Rs. 11200
8. Billed customers for work done other than cash term Rs. 13100
9. Paid wages to assistant Rs. 1500
10. Paid electricity charges Rs.240
11. Received part payment from customer billed on 8th September Rs.4800
12. Paid dividend Rs. 2500

Prepare Trial Balance of the company.

Q – 4 (A) Discuss the important aspects of “Accounting Standard 9 – Revenue Recognition”. 7

Q – 4 (B) With the following ratios and other information, prepare Trading A/c, Profit & Loss A/c and Balance Sheet. 7

(1) Gross Profit Ratio	25%	(6) Fixed Assets/ Capital	5/4
(2) Net Profit / Sales	20%	(7) Fixed Asset/ Total	
(3) Stock-turnover Ratio	10	Current Assets	5/7
(4) Net Profit/ Capital	1/5	(8) Fixed Asset	Rs. 10 Lakh
(5) Capital to Total Liability	1/2	(9) Closing Stock	Rs. 1 Lakh

OR

Q – 4 (A) Explain the importance and tools of Financial Statement Analysis. 7

Q – 4 (B) From the Balance Sheet as at 31 March 2007 provided to you by M/s Naresh, prepare a statement of changes in working capital and fund flow statement for the year. 7

Assets	<u>2006</u>	<u>2007</u>
Fixed assets	8,00,000	11,00,000
Less: accumulated depreciation	1,60,000	2,70,000
	6,40,000	8,30,000
Investment	1,60,000	6,70,000
Closing stock	4,00,000	4,50,000
Debtors	2,10,000	1,80,000
Cash in hand	10,000	2,000
Bank balance	20,000	8,000
	<u>14,40,000</u>	<u>21,40,000</u>
Liabilities		
Equity share capital	9,80,000	17,15,000
General reserve	1,00,000	1,50,000
Creditors	3,00,000	2,00,000
Provision for tax	10,000	15,000
Proposed dividend	50,000	60,000
	<u>14,40,000</u>	<u>21,40,000</u>

It is also know that machinery costing Rs. 1,00,000 with an accumulated depreciation of Rs. 30,000 was sold for Rs. 60,000.

Particulars	Dr. (Rs.)	Cr. (Rs.)
Capital/ Drawing	2,97,300	1,50,000
Plant and machinery	50,000	
Sales / purchase	15,37,000	19,91,500
Return	4,000	5,000
Wages and salaries	5,000	
Creditors/ debtors	2,80,000	1,96,000
Provision for doubtful debt		10,000
Bad debt	3,000	
Discount	1,800	1,000
Loose tools	5,000	
10% loan from Amirchand (1/7/2011)		2,00,000
12% loan to Garibchand (1/8/2011)	2,00,000	
Interest on loan from Amirchand	10,000	
Interest on loan to Garibchand		12,000
Dividend		1,000
Investments	10,000	
Income tax	5,000	
Salesman's commission	87,500	
Sundry expenses	65,000	
Sales tax	5,900	
TOTAL	25,66,500	25,66,500

Additional information:

- Closing stock at market price as at 31/3/12 was Rs. 61,500. However its cost was Rs. 80,000.
- A machine costing Rs. 20,000 was purchased on 1st July 2011. Wages Rs. 1000 for its erection has been debited to wages account. Provide depreciation on plant and machinery at 10% p.a.
- Debtors include an amount of Rs. 5,000 due from a customer who became insolvent. Maintain a provision for doubtful debt at 10% and for discount at 2% on debtors. Also create a reserve for discount on creditor at 2%.
- Dividend accrued and due on investment Rs. 500.
- Loose Tools were valued at Rs. 4,000.
- Credit purchase invoice amounting Rs. 4,000 has been omitted from books.
- Received credit purchase invoice Rs. 6000 on 27 March 12 but the goods were not received till the end of the accounting year.
- The salesmen were entitled to the commission at 5% on the sales. The sales manager is entitled to commission at 1% on gross profit.
- Sales include goods worth Rs. 75,000 sent out to Mr. Clever on approval and remaining unsold on 31 March 2012. The cost of the goods was Rs. 50,000.
- Fire occurred on 23 March 2012 and goods costing Rs. 10,000 (sales price Rs. 15,000) were destroyed. The insurance company accepted the claim for 60% and paid the claim money on 10th April 2012.
- Investments include shares of X Ltd. Purchased for Rs. 3,000 and it was decided to write off this investment as the company is under liquidation.

OR

Q – 5

The following is the trial balance of Shri Om as on 31/03/2002. You are required to prepare Trading A/c, Profit & Loss Account and Balance Sheet as on 31 March 2002.

14

Particulars	Dr. (Rs.)	Cr. (Rs.)
Debtors and creditors	5,00,000	2,00,000
Outstanding liability for expenses	55,000	
Wages	1,00,000	
Carriage outward	1,10,000	
Carriage inward	50,000	
General expenses	70,000	
Cash discount	20,000	
Bad debts	10,000	
Motor car	2,40,000	
Printing and stationary	15,000	
Furniture and fittings	1,10,000	
Advertisement	85,000	
Insurance	45,000	
Salesmen's commission	87,500	
Postage and telegram	57,500	
Salaries	1,60,000	
Rates and taxes	25,000	
Capital / Drawing	20,000	14,43,000
Purchase / Sales	15,50,000	19,87,500
Stock on 01.04.2001	2,50,000	
Cash at bank	60,000	
Cash in hand	10,500	
TOTAL	36,30,500	36,30,500

Additional information:

1. Stock on 31st March 2002 was values at Rs. 7,25,000.
2. A provision for doubtful debt to be created at 5% on sundry debtors.
3. Depreciate furniture and fitting by 10% and motor car by 20%.
4. Shri Om had withdrawn goods worth Rs. 25,000 during the year.
5. Sales includes goods worth Rs. 75,000 sent to Shanti & Co. on approval and remaining unsold on 31st March 2002. The cost of the goods Rs. 50,000.
6. The salesmen were entitled to a commission of 5% on total sales.
7. Debtors include Rs. 25,000 bad debts.
8. Printing and stationary expenses of Rs. 55,000 relating to 2000-2001 has not been provided in that year but was paid in this year by debiting outstanding liability.
9. Purchase includes purchase of furniture worth Rs. 50,000.