

GUJARAT TECHNOLOGICAL UNIVERSITY**M.B.A -Ist SEMESTER-EXAMINATION -JUNE- 2012****Subject code: 2810001****Date: 07/06/2012****Subject Name: Accounting for Managers (AFM)****Time: 02:30 pm – 05:30 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) Rajan is the accountant of a small company making two or three different types of household tools. He systematically and accurately collects and records all the transactions of the company, and prepares statement, so that management knows the annual profit and the financial position. **07**

“What more can a good accountant do?” Ponders Rajan. From your understanding of the scope of accounting, advise him in what ways he might be of service to the management.

(b) Journalize the following transactions: **07**

April 1, 2010 - Capital Rs.2,00,000; Debtors- Rs.20,000; Cash-in-hand- Rs.5,000, Cash-at-Bank-15,000; Stock- Rs.7,000; Creditors Rs.15,000; Machinery Rs.1,50,000; Furniture and Fixtures- Rs.25,000

April 2, 2010 - Received Rs.1,500 from Mohammed in full settlement of his account Rs.2,000.

April 3,2010 - Received Rs.1,500 from Xavier on his account for Rs.2,000.

April 4,2010 - Paid Rs.1,400 to Guru in full settlement of his account for Rs.1,500.

April 5, 2010 - Goods stolen in transit costing rs.500 (sale price Rs.750).

April 6,2010 - Received a first and final dividend of 70 paise in the rupee from the official receiver of Mr. Rao who owed rs.3,000

April 7,2010 - Wages paid Rs. 1,000 for erection of plant.

Q.2 (a) The following is the trial balance of Durga Industries Ltd. as on 31st March, 2010. **07**
Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2010 and a Balance Sheet as on that date in the form prescribed under the Companies Act.

Particulars	Amount Rs.	Particulars	Amount Rs.
Investment	35,000	Share Capital	4,00,000
Call in Arrear	1,000	Sales	3,00,000
Land and Building	45,000	Sundry Creditors	17,000
Machinery	3,00,000	General Reserve	25,000
Furniture	15,000	Profit on Consignment	13,000
Custom Duty	3,800	Loan from Bank	45,000
Wages	31,400	Dividend	3,000
Salaries	45,200		
Insurance	2,800		
Purchases	1,60,000		
Bills Receivable	21,200		
General Expenses	6,900		
Sundry Debtors	60,000		
Opening Inventory	65,000		
Cash at Bank	8,800		
Cash in hand	900		
Directors Fees	1,000		
	8,03,000		8,03,000

The following information are to be taken into consideration:

- (a) Closing Inventory Rs. 86,000
- (b) Depreciate Machinery at 10%
- (c) Outstanding Salary Rs. 4,000
- (d) Transfer Rs. 5,000 to General Reserve
- (e) The authorised capital of the company is Rs. 6,00,000 divided into Equity Shares of Rs. 10 each.
- (f) Make provision for Income tax @ 30%

- (b)** Explain in detail the applicability of Accounting Standards with special reference to various levels of categories of enterprises. **07**

OR

- (b)** Explain the meaning of investments, its scope and how is the cost of investments determined in different situations as per AS-13 (Accounting for Investments)? **07**

- Q.3 (a)** Urvashi Camera Limited (UCL) enters into an agreement with Trident Limited, which runs the West-Side chain of family stores, to place cameras in West Side stores. As per the agreement West Side receives the cameras on consignment basis and makes best efforts to sell the cameras at the best price depending upon the competition and new offerings by competitors. UCL maintains title to cameras until West Side sells them. When West Side sells the cameras, it remits the selling price minus a fee to UCL. UCL takes back any damaged or defective cameras. **07**

Required:

Explain when UCL should recognise the revenue from the sale of cameras.

- (b)** Define IFRS (International Financial Reporting Standards). What are the advantages of converting to IFRS? **07**

OR

- Q.3 (a)** Mahaveer & Co. after depreciating its machinery at 10% on diminishing balance method had on January 1, 2006, Rs. 8,10,000 to the debit of machinery account. During year 2006, part of machinery purchased on January 1, 2004 for Rs. 2,00,000 was sold for Rs. 1,50,000 on July 1, 2006 and a new machinery was purchased at a cost of Rs. 2,00,000 and installed on the same date. The firm decided to change its method of depreciation from diminishing balance method to straight-line method with effect from January 1, 2006 and adjust the difference in the accounts for 2006. The rate of depreciation remains the same as before. Show the machinery account for the year 2006. **07**

- (b)** Explain the meaning and important features of Inflation accounting and briefly explain the effects of Inflation on Financial Statements. **07**

- Q.4 (a)** What is Balance Sheet? Draw a pro forma in vertical shape of it. Explain its significance. How does it differ from a Trial Balance? **07**

- (b) Revenue and Expense data for the current calendar year for Star Paper mills Ltd. And for the paper Industry are as follows. The Star Paper Mills Ltd. Data are expressed in Rupees, the paper industry averages are expressed in Percentages. 07

Particulars	Star Paper Mills Ltd. Rs.	Paper industry Average %
Sales	70,70,000	100.5%
Sales Returns and Allowances	70,000	0.5%
Cost of Merchandise Sold	50,40,000	70.0%
Selling Expenses	5,74,000	9.2%
General Expenses	4,34,000	8.0%
Other Income	35,000	0.6%
Other Expenses	84,000	1.4%
Income Tax	4,06,000	5.5%

- i. Prepare a commonsized income statement comparing the results of operation of Star Paper Mills Ltd. With the industry average.
- ii. As far as data permit, comment on significant relationships revealed by the comparisons.

OR

- Q.4 (a)** The records of Watarwala Company contain the following information relating to the inventory item K730 for October 2006. 07

Date	Particulars	Units	Amount Rs.
Oct 1	Beginning inventory	20	4
Oct 3	Purchase	40	5
Oct 9	Sale	10	
Oct 14	Sale	45	
Oct 19	Purchase	50	7
Oct 22	Sale	30	
Oct 26	Purchase	20	9
Oct 28	Sale	10	
Oct 31	Sale	5	

Required:

Using the periodic inventory system, compute the cost of ending inventory and cost of goods sold. Use the FIFO and LIFO inventory costing methods.

- (b) Explain the impact of errors on Trial Balance by giving suitable examples – errors disclosed and errors not disclosed by Trial Balance. 07

- Q.5 (a)** Following are summarized Balance Sheets 'X' Ltd. as on 31st December, 2000 and 2001. You are required to prepare a Funds Statement for the year ended 31st December, 2001. 07

Liabilities	2000	2001	Assets	2000	2001
Share Capital	1,00,000	1,25,000	Goodwill	-	2,500
General Reserve	25,000	30,000	Buildings	1,00,000	95,000
P&L A/c	15,250	15,300	Plant	75,000	84,500
Bank Loan (Long-term)	35,000	67,600	Stock	50,000	37,000
Creditors	75,000	-	Debtors	40,000	32,100
Provision for Tax	15,000	17,500	Bank	-	4,000
			Cash	250	300
	2,65,250	2,55,400		2,65,250	2,55,400

Additional Information:

- (i) Dividend of Rs. 11,500 was paid.
- (ii) Depreciation written off on plant Rs.7,000 and on buildings Rs.5,000.
- (iii) Provision for tax was made during the year Rs. 16,500.

(b) Explain the important provision of AS-10 (Accounting for Fixed Assets). **07**

OR

Q.5 (a) The National Bank has been approached by two customers for a short-term loan of ` 5,000. The following summarized financial information is available from the latest financial statements: **07**

	Granny Foods Rs.	Home Foods Rs.
Net Sales	91,000	75,000
Gross Profit Margin	38,220	29,250
Interest Expenses	2,000	820
Income tax	7,500	5,000
Profit after Tax	8,200	5,625
Inventories	9,000	6,520
Debtors	7,000	5,600
Cash	600	1,800
Current Liabilities	18,260	11,600
Long-term Liabilities	16,000	13,000
Shareholder's Equity	18,000	14,000

The bank intends to accept one of the two loan requests.

Required:

Which customer's loan request should be accepted and why? What additional information's may be useful in making a decision? Assume that the year-end account balances are representatives of the whole year.

(b) "Financial ratio analysis by itself does not provide an understanding of the operation of the firm. Financial analysis should be integrated with industry analysis, analysis of the economy, and analysis of the firm's strategy." Analyse the statement. **07**
