Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER I– • EXAMINATION – SUMMER 2015

Subject Code: 2810001 **Date: 30/05/2015**

Subject Name: Accounting For Managers

Time:14:30pm To 17:30pm **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) Question Text and Option. **6**

	If a firm borrows a sum of money, there will be:				
1.	A.	Increase in capital	B.	Decrease in capital	
	C.	No effect on capital	D.	Depends on the situation	
	Which of the following is a cash transaction?				
2.	A.	Sold goods	B.	Sold goods for cash	
	C.	Sold goods to Shyam on credit	D	Sold goods to Shyam on account.	
3.	Mohan’s Trial Balance contains the following information: Bad debts ₹ 1000, Provision for Doubtful debts ₹ 1,500.It is desired to make a provision for Doubtful Debts of ₹ 2,000 at the end of the year. The amount to de debited to the profit & loss account is:				
	A.	₹ 4,500	B.	₹5,000	
	C.	₹ 1,500	D.	₹3,500	
4.	The ratio which is good indicator to maintain the correct selling price and efficiency of trading activities is				
	A.	Net Profit Ratio	B.	Gross Profit Ratio	
	C.	Current Ratio	D.	Liquid Ratio	
	IFRS stand for				
5.	A.	International Financial Reporting Standards	B.	Institute of Finance and Regulation System	
	C.	Institute of Financial Reporting Standards	D.	International Finance Rules & Standards.	
	Accounting Standard (AS) 6 is for				
6.	A.	Disclosure of Accounting Policies	B.	Depreciation Accounting	
	C.	Valuation of inventories	D.	Accounting for Fixed Assets	

Q.1 (b) i) Give examples of real accounts. **04**
ii) What is common size statement?
iii) How will you differentiate between provision and reserve?
iv) What are the disclosure requirements with regard to valuation of inventories?

Q.1 (c) Write a note on: Entity Concept and Money Measurement Concept. **04**

Q.2 **(a)** What is meant by Generally Accepted Accounting Principles (GAAP)? Differentiate between Indian GAAP and IFRS. **07**

(b) Mr. Sitaram has started a company to carry on the business of selling fast-food. Following are the transaction for the month of November. Journalized the transactions: **07**

November 1: Commence business with cash of ₹ 2,00,000.

November 3: Opened a current account with Bank of Baroda for ₹ 1,00,000

November 8: Purchased office equipments. Paid Cash. Of ₹ 60,000

November 9: Purchase materials worth ₹30,000.

November 10: Sold 100 packs of pizza for ₹ 50,000

November 14: Issued cheque of ₹ 25,000 to Mr.Sitaram for his personal use.

November 16: Paid ₹ 20,000 for office rent.

OR

(b) Kanpuria Investments Ltd. holds 6000 shares of Fair price corporation Ltd. It acquires 5000 shares of Winner Ltd from Option Finance Ltd in exchange for these shares. Determine the cost of shares acquired by Kanpuria Investments under the following three situations: **07**

i) If shares of both Fair Price Corporation Ltd and Winner Ltd were listed at BSE and their market price on the day of the deal was ₹ 225 and ₹ 285 share respectively.

ii) If Winner Ltd were unlisted and therefore its market value were not known.

iii) If Fair Price Corporation Ltd were unlisted.

Also consider brokerage of Re.1 per share.

Q.3 **(a)** Explain Disclosure of Accounting Policies (AS-1) giving suitable examples. **07**

(b) Silver Ltd purchases on 1st Jan 2011, second hand plant for ₹ 30,000 and immediately spent ₹ 20,000 in installing it. On 1st July 2011, additional machinery costing ₹ 25,000 was purchased. On 1st July 2013 the plant purchases on 1st Jan 2011, became obsolete and was sold for ₹ 10,000.On that date new machinery was purchased at a cost of ₹ 60,000.Depreciation was provided for annually on 31st Dec @10 % p.a. on the original cost of the asset. In year 2014 however, the company charged this method of providing depreciation and adopted the method of writing off 15 % on the diminishing value. Show the machinery account as it would appear in the books of the company for the year 2011 to 2014. **07**

OR

Q.3 **(a)** Explain Accounting for Intangibles (AS-26).Also state the conditions to be satisfied for an intangible asset to be recognized in the balance sheet as an asset. **07**

(b) Diamond Ltd furnished the following information. The gross profit is 20 % on net sales. The figure for January 2014 are given below: **07**

Stock on 1st Jan	₹ 50,000
Purchases	₹1,10,000
Purchases return	₹ 20,000
Freight Inwards	₹ 6,000
Gross Sales	₹ 1,70,000
Sales Return	₹ 15,000

Calculate the estimated cost of the stock at 31st Jan 2014.

Q.4 **(a)** Explain the tools for analyzing financial statement. **07**

(b) From the following Balance Sheets of ABC Ltd on 31.12.2012 and 2013, you are required to prepare Funds flow Statement: **07**

Liabilities	**2012 ₹**	**2013 ₹**	**Assets**	**2012 ₹**	**2013 ₹**
Share Capital	2,00,000	2,00,000	Goodwill	24,000	24,000
Gen. Reserve	28,000	36,000	Building	80,000	72,000
P & L a/c	32,000	26,000	Plant	74,000	72,000
Creditors	16,000	10,800	Investments	20,000	22,000
Bills Payable	2,400	1,600	Stock	60,000	46,800
Provision For tax	32,000	36,000	Bills Receivable	4,000	6,400
Provision for doubtful debts	800	1,200	Debtors	36,000	38,000
			Cash & Bank	13,200	30,400
	3,11,200	3,11,600		3,11,200	3,11,600

Additional Information:

- Depreciation provided on plant was ₹8,000 and on building ₹8,000.
- Provision for taxation made during the year ₹ 38,000.
- Interim dividend paid during the year ₹ 16,000.

OR

Q.4 **(a)** What is Trend analysis? State its objectives and advantages of using the same. **07**

(b) From the following data of Veer Ltd, prepare Profit & Loss A/c and Balance Sheet in vertical form: Also show necessary schedules where ever required. **07**

Particulars	Amt (Debit)	Amt(Credit)
Share Capital		40000000
Share Premium		10000000
Investments: Equity shares of PQR Ltd	4500000	
Cash in current account	65,000	
Fixed deposits with banks	1250000	
Cash in hand	20,000	
Advance tax paid	43,800	
Expenses payable		20,000
Preliminary expenses	50,000	
Balance in profit and loss accounr,1.04.2014	42955200	
Loss on sale of investments	1200000	
Interest on fixed deposits with banks		90,000
Bank charges	4000	
Legal and Professional charges	12000	
Stationary	10000	
	50,110,000	**50,110,000**

Further information:

1. Authorized share capital of the company is 75,00,000 equity shares of ₹10 each.
2. 20,00,000 shares were issued at a premium of ₹ 5 each.
3. Interest accrued on fixed deposits with bank for the year ₹1,50,000.
4. Audit fee for the year payable for ₹ 12,000.
5. Other expenses payable for the year:
   - Legal and professional charges ₹ 10,000.
   - Travelling and conveyance expenses ₹ 5,000.
6. Preliminary expenses to be written off ₹ 25,000.

Q.5 Two ventures- AB Ltd. And XY Ltd.- jointly control production and marketing of a consumer product 'Beauty'. AB Ltd is responsible for manufacturing **14**

'Beauty' and XY Ltd.is responsible for sales and distribution of 'Beauty'. Both AB Ltd. and XY Ltd. have their own separate businesses. But they have decided to jointly control the operations of product 'Beauty'. AB Ltd. Invested ₹ 40 million in acquiring necessary machinery to manufacture' Beauty' and XY Ltd. Invested ₹ 20 million in setting up the marketing network for the product 'Beauty'. AB Ltd. Purchases raw materials worth of ₹ 10 million for manufacturing the product during the year.AB Ltd. is entitled to 60 % of net income from the venture.XY Ltd. Is responsible for incurring all related expenses for marketing product 'Beauty'.
During the year, total sales value of ' Beauty, was ₹ 85 million.The operating cost of the product (% of sales) was 75 %.Operating cost includes depreciation on machinery of ₹ 5 million and selling and distribution expenses of ₹ 25 million. State how these transactions would be recorder in the books of AB Ltd. And XY Ltd.?

OR

Q.5 (i) Company Monalisha enters into an agreement with company Nine Eleven to deliver Monalisha's products to Nine Eleven on consignment basis. Company Monalisha delivers product to company Nine Eleven under the terms of their arrangement. Can Monalisha recognize revenue upon delivery of its product to Nine Eleven. **14**

(ii) Company Monalisha has product available to ship to customers prior to the end of the accounting year. Company Nine Eleven places an order orally for the product with Monalisha and the product is delivered prior to the end of current accounting year. Company Monalisha's normal business practice is to enter into a written sales agreement duly signs by the authorized representative of both the company Monalisha and its customer. In this case, Monalisha prepares and signs the sales agreement before the end of the year, but company Nine Eleven could not sign the agreement awaiting requisite approval from its legal department. Company Nine Eleven's purchase department has orally agreed to the sale and stated that it is highly likely the contract will be formally approved in the first fortnight of the immediately next accounting year. Can Monalisha recognize the revenue in the current accounting year?

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