

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA SEMESTER- I EXAMINATION WINTER 2015

Subject Code: 2810001**Date: 17/12/2015****Subject Name: Accounting For Managers****Time: 10.30 AM TO 01.30 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) Answers the following Multiple Choice Question (Each carry 1 Marks)**06**

1. An income statement communicates information regarding revenues and expenses:
 - (a) For a Period of Time
 - (b) At a Given point in Time
 - (c) At the beginning of the Fiscal year
 - (d) For some point of time in the future.
2. The amount of Owner's Equity in a business is not affected by:
 - (a) Investment made in the business by the owner.
 - (b) The profitability of the business.
 - (c) The percentage of total assets held in cash.
 - (d) The amount of dividends paid to stockholders.
3. Excel industries Ltd purchased Machine at cost of Rs. 78 lacs. Consideration value on at time of disposal Rs. 390000. Expected life 10 years. Calculate depreciation rate for Written Down Value (WDV) & Straight Line method (SLM).

(a) 25.35% & 9.5%	(b) 24.89% & 8.90%
(c) 25.89% & 9.5%	(d) 25.98% & 9.05%
4. During a period of steadily rising prices, which of the following methods of measuring the cost of goods sold is likely to result in reporting the highest gross profit?
 - (a) FIFO
 - (b) Weighted Average Price
 - (c) LIFO
 - (d) Specific Identification
5. Which item among the following is not an intangible asset?
 - (a) A Trademark
 - (b) An account receivables
 - (c) A Patent
 - (d) Goodwill
6. The financial statement which shows cash activity (receipts and disbursements) during the accounting period is called a(n):
 - (a) Bank Statement
 - (b) Income Statement
 - (c) Balance Sheet
 - (d) Statement of Cash-flow

Q.1(B) Define Revenue expenditure & Capital Expenditure with appropriate example.**04**

Q.1(C) Journalize the following transaction in Journal Proper.**04**

- (1) Machinery worth Rs. 20 Lacs was bought from Kavya & Sons payable in 4 equal installment starting from the end of current year.
- (2) Issued a cheque in favour of Aditya & co for the purchase of a computer amount of Rs. 40000
- (3) ABC company cheque for Rs. 1,00,000 returned dishonored for insufficient funds in his accounts. The customer had availed cash discount of Rs. 5000.
- (4) Paid Salary Rs. 10000 and Wages Rs. 5000 by cheque and cash respectively.

Q.2(A) Identify the steps in the accounting cycle and discuss the role of accounting records in an organization. **07**

Q.2(B) The following balances have been taken from the ledger of Mr. Vasanth as on 31st March 2014. You are required to prepare the Trial balances as on 31st March 2014. **07**

Particulars	Rs	Particulars	Rs.
Capital	78000	Wages & salaries	17680
Opening Stock	5000	Rent & Taxes	1370
Premises	46000	Rent Received	530
Furniture	18500	Sundry Expenses	1660
Machinery	30000	Bills Receivables	1920
Purchases	74900	Trade Creditors	22760
Sales	126620	Book debts	34000
Discount received	470	Drawings	3000
Discount allowed	540	Bills Payable	2800
Carriage outwards	180	Cash In hand	940
Carriage Inwards	170	Bank Loan	5800
Return Inwards	1400	Closing Stock	3900
Return Outwards	280		

OR

Q.2(B) Discuss in detail about salient aspects of Accounting Standard 1 dealing with “Disclosure of Accounting Policies” and “Accounting of intangible assets” (AS – 26). Give a suitable example. **07**

Q.3(A) X who was closing his books on 31.3.2008 failed to take the actual stock which he did only on 9th April, 2008 when it was ascertained by him to be worth Rs. 25,000. **07**

It was found that sales are entered in the sales book on the same day of dispatch and return inwards in the returns book as and when the goods are received back. Purchases are entered in the Purchase Day Book once the invoices are received. It was found that sales between 31.3.2008 and 9.4.2008 as per the sales day book are Rs. 1,720.

Purchases between 31.3.2008 and 9.4.2008 as per Purchase Day Book are Rs. 120, out of these goods amounting to Rs. 50 were not received until after the stock was taken.

Goods invoiced during the month of March, 2008 but goods received only on 4th April, 2008 amounted to Rs. 100. Rate of Gross Profit is 33 1/3% on cost.

Ascertain the value of stock as on 31.03.2008.

Q.3(B) Explain “The Trial Balance ensures arithmetical accuracy and not accounting accuracy”. Impact of errors on Trial Balance by giving suitable. **07**

OR

Q.3(A) On 1st April 2006, Creya & Co. Purchased four machines for Rs. 50,000 each. His accounting year ends on 31st March. Depreciation @ 20% on original cost has been charged to Profit and Loss Account and credited to a separate provision for depreciation account. **07**

On 1st April 2007, one machine was sold for Rs. 35,000 and on 1st April 2008, a second machine was sold for Rs. 33,000. A new machine which cost Rs. 80,000 was purchased on 1st October 2007.

The same rate of depreciation was decided for the new machine as well. Prepare (1) Machinery A/c & (2) Provision for Depreciation A/c till March 2009.

Q.3(B) Explain the meaning and objectives of “Accounting Standards”. List out the major accounting standards. **07**

Q.4(A) Define “Provision” & “Reserve”. Also discuss difference between provision & reserve. **07**

Q.4(B) Symphony corporation Ltd. Sought the advice of an investment consultant for deployment of surplus funds of around Rs. 45,00,000 in the secondary market. The consultant advised to invest in Tata Steel Ltd and charged consulting fees of Rs. 7500. Accordingly, company bought shares of the face value of Rs. 10 each of Tata Steel Ltd at Rs. 520 per share from the NSE through a stockbroker. The broker charged a brokerage of 0.50%. Determine the cost of this investment. **07**

OR

Q.4(A) What do you understand by Common Size Statement? What is its purpose? Explain with suitable examples. **07**

Q.4(B) **SHYAMSONS LTD** **07**

Balance Sheet as on 31st December

Liabilities & capital	2013	2014	Assets	2013	2014
Sundry Creditors	8000	10,000	Cash	10,000	15,000
Outstanding Expenses	7000	10,000	Receivables	20,000	25,000
Debenture Payable	10,000	5000	Inventory	20,000	35,000
Long Term Loans	5000	25,000	Plant & machinery	85,000	85,000
Capital	50,000	50,000	Less: accumulated Dep	(15,000)	(10,000)
Retained Earnings	40,000	50,000			
Total Assets	1,20,000	1,50,000	Total Assets	1,20,000	1,50,000

Additional information:

Net profit for the period after charging Rs.5000 on account of depreciation was Rs. 20,000.

A piece of equipment costing Rs.25000 on which depreciation accumulated in the amount of Rs. 10,000 was sold for Rs. 10,000.

Dividends paid during the year amounted to Rs. 10,000.

Prepare Sources and Uses of funds statement & Change in Working capital.

Q.5 The Trial Balance of Tera Ltd, having an authorized capital of Rs. 8,00,000 as 31st December 1996 as under: 14

Particulars	Amount (Rs)
Share Capital (Shares of Rs 100 Each Fully paid)	5,00,000
Securities premium a/c	50,000
Land & building (cost Rs 3,00,000)	2,50,000
Plant & Machinery (cost Rs 4,00,000)	3,00,000
Livestock	20,000
Gross profit earned during 1996	1,30,000
General Reserve	2,00,000
6% Debentures (issued on 1 st January 1989 secured by mortgage on land & redeemable on 31/12/2001)	1,00,000
Sundry Debtors	60,000
Sundry Creditors	30,000
Stock as at 31-12-96 (At cost or Market value whichever is lower)	50,000
Salaries	19,000
Director's Fees	10,000
General Expenses	15,000
Cash at Bank	6,400
Cash in Hand	600
Bills Receivables	20,000
Discount on issue on debentures	4,000
Profit & Loss B/f	10,000
Investment (4% Government Securities, FV Rs 1,00,000 purchased on 1-1-1996)	95,000
Investment in Equity shares (10,000 shares of Rs 25 each Rs 20 paid up)	1,70,000

Further information:

- (1) Of the shares allotted 2,000 shares worth Rs 2,00,000 were allotted as fully paid to vendor from whom a running business was acquired.
- (2) Of the debtors Rs. 10,000 were outstanding but are considered good except a debt of Rs 5,000 doubtful to be provided.
- (3) A provision of Rs. 25,000 is to be made for income tax.
- (4) The market value of Govt. securities on the date of the Balance sheet was Rs. 93,000 and that of Equity shares was Rs. 1,60,000
- (5) Auditor's fees Rs. 3000 should be provided for. Included in general expenses is six months insurance Rs. 1500 paid for the year to end on 30th June 1997.
- (6) Interest on debentures issued and on investment in government securities should be taken into account.
- (7) Depreciation is to be provided for @ 6% original cost of machinery and 2% on the original cost of land & building.
- (8) Provide for a dividend of 5% on shares.

Prepare (i) Profit & Loss A/c (ii) Profit & Loss Adjustment A/c (iii) The Balance Sheet as on 31st December 1996.

OR

Q.5 From the following details, prepare a **Balance sheet for Moon Ltd.**

14

- a). Current ratio is 1.75 times
- b). Liquid ratio is 1.25 times
- c). Stock turnover Ratio (Closing Stock) is 9 times
- d). Gross profit ratio is 25%
- e). debt collection period is 1.5 months
- f). Reserves to capital is 0.2
- g). Turnover to fixed assets is 1.2 times
- h). Capital gearing ratio is 0.6
- i). Fixed assets to net worth is 1.25 times

Sales for the year is Rs. 12,00,000

Balance sheet of Moon Ltd

Liabilities	Rs	Assets	Rs.
Capital	?	Fixed Assets	?
Reserve	?	Current Assets	?
Debts	?	Closing Stock	?
Current Liabilities	?	Debtors	?
		Cash	?
Total		Total	
