

Seat No.: \_\_\_\_\_

Enrolment No. \_\_\_\_\_

## GUJARAT TECHNOLOGICAL UNIVERSITY

MBA Sem-I Examination January 2010

**Subject code:810001**

**Subject Name: Accounting for Managers**

**Date: 18 / 01 / 2010**

**Time: 12.00 – 2.30 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) How do generally accepted accounting principles present an ethical issue in financial accounting? **07**

b) Presented below are the balances, listed in alphabetical order, of Beyer Company, at December 1, 2009: **07**

Accounts Payable	Rs. 8,100
Accounts Receivable	Rs. 4,000
Cash	Rs. 7,300
Land	Rs. 15,300
Machinery	Rs. 31,600
Merchandise Inventory	Rs. 12,200
Long-term Debt Payable	Rs. 20,700
Note Payable	Rs. 2,200
Paid-in Capital	Rs. 39,400

Below are the transactions for Beyer Company for the month of December 2009:

- a. Sold inventory to a friend at cost, which was Rs.800. The friend paid in cash.
- b. Borrowed an additional Rs. 1,300 in notes payable.
- c. Collected Rs. 1,900 from credit customers.
- d. Paid Rs. 2,600 of the amount owed on account.

Prepare a balance sheet as of December 31, 2009, considering the beginning balances and incorporating the effects of the December 2009 transactions.

### Q.2.

a) What do you mean by the term 'depreciation'? What are its causes? Why do firms provide depreciation? **07**

b) The following data pertains to the ABC Company for the year of 2008: **07**

- a. Salaries and wages: accrued, Rs. 175,000; paid in cash Rs.200,000.
- b. Depreciation, Rs.50,000.
- c. Interest expense, all paid in cash, Rs.12,500.
- d. Other expenses, all paid in cash, Rs.112,000.
- e. Income taxes accrued, Rs.35,000; income taxes paid in cash, Rs.33,000.

- f. Bought plant and facilities for Rs.365,000 cash.
- g. Sales of Rs.1,500,000, all on credit. Cash collections from customers, Rs.1,250,000.
- h. The cost of items sold was Rs.750,000. Purchases of inventory totalled Rs.825,000; inventory and accounts payable were affected accordingly.
- i. Cash payments on trade accounts payable were Rs.700,000.
- j. Issued long-term debt for Rs.110,000 cash.
- k. Paid cash dividends of Rs.45,000.

Prepare a statement of cash flows using the direct method for reporting cash flows from operating activities.

**OR**

- b) XYZ Inc had the following inventory balance as of June 30, 2008. **07**

June 3 order of 400 units @ Rs.10.50	Rs. 4,200
June 8 order of 100 units @ Rs.11.00	1,100
June 19 order of 200 units @ Rs.11.50	<u>2,300</u>
	Rs. 7,600

On July 1, 2008, the company sold 240 units at Rs.16.00 per unit. On July 10, 2008, a competitor announced a new model which resulted in the cost of Murray inventory dropping to the new replacement cost, which was Rs.10.75. XYZ Inc uses a perpetual inventory system.

What is the balance in the inventory account on July 9, 2008, if XYZ Inc uses:

- a. FIFO?
- b. LIFO?

**Q.3.**

- a) What do you understand by Common Size Statement? What is its purpose? **07**  
Explain with suitable examples.
- b) Describe the progress made by India so far in the field of human resource accounting. **07**

**OR**

**Q.3.**

- a) From the data presented below, calculate the following ratios: **07**
- a. acid-test ratio
  - b. inventory turnover
  - c. days' sales in receivables
  - d. price / earnings ratio
  - e. rate of return on total assets
  - f. times-interest-earned ratio
  - g. current ratio

	2008	2007
Net sales (all on credit)	Rs.97,600	Rs.93,000
Cost of goods sold	53,500	52,500
Gross profit	44,700	40,500
Income from operations	16,300	15,000
Interest expense	3,100	3,500
Net income	9,800	9,000

Cash	7,700	7,500
Accounts receivable, net	10,700	12,500
Inventory	20,000	26,000
Prepaid expenses	1,000	900
Total current assets	39,400	46,900
Total long-term assets	50,000	67,000
Total current liabilities	32,000	44,500
Total long-term liabilities	11,000	39,800
Common stock, no par, 2000 shares, value Rs.45/share	10,000	10,000
Retained earnings	25,400	19,600

b) A company's summary income statement for the most recent four years is presented below. **07**

- a. Prepare an analysis showing trend percentages for the four-year period using 2005 as the base year.
- b. What information is available from this trend analysis?

	2008	2007	2006	2005
Net sales	78,100	75,000	67,000	55,000
Cost of goods sold	33,200	32,000	30,000	20,000
Gross profit	44,900	43,000	37,000	35,000
Operating expenses	25,700	22,000	19,000	14,000
Net income	19,200	21,000	18,000	21,000

**Q.4.**

- a) ABC Corporation purchased earth moving equipment for Rs.2,00,000/-. **07**  
The equipment was expected to be useful for six years, or 1,500 hours, with an estimated residual value of Rs.20,000 at the end of that time. The equipment logged 200 hours in the first year. You are required to compute depreciation expense for the first year under each of the following methods: (1) Straight line method, (2) Written Down Value method, (3) Sum of the years digits method and (4) Production Units method

- b) Define Inflation Accounting and explain the provisions for the same in GAAP **07**

**OR**

**Q.4.**

- a) Explain the significance of Environment Accounting in the Indian Context **07**
- b) Explain Foreign Exchange Accounting process in detail **07**

**Q.5.**

- a) Discuss the utility and significance of financial statements to various parties interested in business concern **07**
- b) Explain the various classification of ratios **07**

**OR**

**Q.5.**

- a) Explain the limitations of Financial Accounting **07**
- b) Explain the meaning and objectives of Financial Statement Analysis **07**

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**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA Semester –I Examination Dec'11- Jan'12**

**Subject code: 810001****Date: 26/12/2011****Subject Name: Accounting for Managers (AFM)****Time: 10.30 am – 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)** What is Accounting Equation? Describe all the possible changes in it, which keeps the equation true, with hypothetical transactions. **07**
- (b)** Explain following accounting concepts with clear examples **07**
- i. Going Concern Concept
  - ii. Money Measurement Concept
- Q.2 (a)** Prepare a statement of changes in working capital and the funds flow statement from the following information: **07**

M/s Yashraj &amp; Sons

Balance Sheet (All figures in Rs.)

Particulars	2008	2009
<b>Assets:</b>		
Fixed Assets	8,00,000	11,00,000
Less: Accumulated Depreciation	1,60,000	2,70,000
	6,40,000	8,30,000
Investments	1,60,000	6,70,000
Closing Stock	4,00,000	4,50,000
Sundry Debtors	2,10,000	1,80,000
Cash in Hand	10,000	2,000
Cash at Bank	20,000	8,000
	14,40,000	21,40,000
<b>Liabilities:</b>		
Equity Share Capital	9,80,000	17,15,000
General Reserve	1,00,000	1,50,000
Sundry Creditors	3,00,000	2,00,000
Provision for Taxes	10,000	15,000
Proposed Dividend	50,000	60,000
	14,40,000	21,40,000

- (b) A second hand machine was purchased on 1<sup>st</sup> July 2006 by Sharad Ltd for Rs. 20000 and installation and other repairing expenses amounted to Rs. 3000. On 1<sup>st</sup> January 2007 Sharad Ltd purchased new machine worth Rs. 12000. On 30<sup>th</sup> June 2008 the machine purchased on 1<sup>st</sup> January 2007 was sold for Rs.8000. On July 1<sup>st</sup> 2008 new machine was purchased on installment. Details of Installments are as under: **07**

1<sup>st</sup> July 2008: Rs. 5000

30<sup>th</sup> June 2009: Rs. 6000

30<sup>th</sup> June 2010: Rs. 5500

Payment in 2009 and 2010 include interest Rs.1000 and Rs.500 respectively. The company writes off depreciation @ 10% p.a. on original cost. The accounts are closed every year on 31st March. Prepare necessary accounts till 31-3-2009.

**OR**

- (b) What is Impairment of Assets? Explain with reference to Accounting Standard-28 **07**

- Q.3 (a)** Explain in detail the utility of Corporate Cash Flow Statement **07**

- (b) Explain Clause 49 of Listing Agreement in Detail **07**

**OR**

- Q.3 (a)** What is Auditors Report? Write a detailed note on Content of Auditors' Report **07**

- (b) What are the provisions of Company's Act regarding accounts of a company **07**

- Q.4 (a)** From the following summarized balance sheets of two companies you are required to prepare Common size balance sheets in vertical form: **07**

Balance Sheet  
As at 31<sup>st</sup> March 2010

(Figures in '000 Rs.)

Liabilities	A Ltd.	X Ltd.	Assets	A Ltd.	X Ltd.
Eq. Share Capital	120	350	Fixed Assets	245	410
10% Preference Capital	100	50	Current Assets	290.5	332.8
Reserve	140	56	Preliminary Exp.	10	6
15% Debentures	50	50			
Current Liabilities	135.5	242.8			
	545.5	748.8		545.5	748.8

- (b) Explain Ratio Analysis as a tool of Financial Statement Analysis and also explain different types of ratios **07**

**OR**

- Q.4 (a)** What is Du Pont Analysis? Explain in detail with hypothetical example **07**

- (b) Explain the meaning and utility of Horizontal and Vertical Analysis of Financial Statement **07**

- Q.5 (a)** What is IFRS, describe in detail latest developments of IFRS. **07**

- (b) What is the utility of Environment Accounting? **07**

**OR**

- Q.5 (a)** Explain Responsibility Accounting in Detail **07**

- (b) Explain Human Resource Accounting in Detail **07**

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**GUJARAT TECHNOLOGICAL UNIVERSITY**

MBA. Sem-I Regular / Evening Examination January/ February 2011

**Subject code: 810001****Subject Name: Accounting for Managers****Date: 29 /01 /2011****Time: 10.30 am – 01.00 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)** Explain the following :concepts:: **07**  
 i) The Entity Concept  
 ii) Accrual concept  
 iii) Realisation Concept
- (b)** Arpit Industries Ltd purchased a machine . Details are as follows : **07**  
 List Price ;Rs.5,00,000 . Trade Discount Rs.10,000 : Sales Tax and Excise Duty :  
 Rs60,000 : CENVAT Credit available on Excise Duty Included Above Rs.40,000  
 :.Transportation Charges to Factor Site Rs.2500 : Special Foundation and Installation  
 Charges :Rs:7,500  
 Expected Useful life (Years ) 5 : Consideration Expected on Disposal Rs.28,000.  
 Estimated Cost of Removal of the Machine for Disposal Rs.2,000.  
 You are required to find out :
1. Cost of Machine
  2. Determine the rate of depreciation as per SLM
  3. Determine the annual depreciation and accumulated depreciation for all the years as per SLM
- Q.2 (a)** With reference to the following items , distinguish accounting treatment under IASs( now **07**  
 IFRS) , Indian GAAP and US GAAP .  
 1.Cash and Cash Equivalent  
 2.Depreciation  
 3.Miscellaneous Expenditure
- (b)** Given hereunder are the details of equity capital and profit etc., of PQR Ltd for the years **07**  
 2005-06 and 2006-07 . Determine BEPS for both the years under the following 3  
 exclusive situations :
1. Bonus issue on 1<sup>st</sup> January 2007 in the ratio of 2 : 1
  2. Share split on 1<sup>st</sup> January 2007 from Rs.10 FV to Rs.5 .
  3. Share consolidation on 1<sup>st</sup> January 2007 from Rs.10 FV to Rs.100 .

	Rs. And NO of Shares ( in crores )	
	2006-07	2005-06
Net Profit	54.60	33.50
Preference Dividend and tax thereon	2.24	2.24
No of Equity Shares outstanding until 31 <sup>st</sup> Dec 2006		2.50

**OR**

- (b)** . “ Quality of earnings suffers from certain limitations of financial statements “ . Critically **07**  
 examine .
- Q.3 (a)** Discuss in detail about salient aspects of Accounting Standard 1(issued by the Institute of **07**  
 Chartered Accountants of India ) dealing with disclosure of accounting policies .Give a  
 suitable example .

(b) XYZ Ltd has the following details for its semi-finished products :

07

Product	Net Realisable Value	Degree of Completion	Raw materials Cos per Unit (Rs)	Conversion Costs per unit
A	50	70	25	13
B	60	50	30	12
C	50	30	40	12

Find out the value of work in progress on a per unit basis . It is assumed that raw materials have been fully consumed for these semi-finished products . Hence , only process costs are not fully incurred .

OR

Q.3 (a) Write short notes on :

07

- i. Miscellaneous Expenditure and Debit Balance of P&L Account
- ii. Shareholders funds
- iii. Capital Reserves

(b) X Ltd has the following portfolio of investments as on 31<sup>st</sup> March 1998

07

( Rs. in thousand )

	Cost	Market Value
Current Investments		
Shares of A Ltd	250	265
Units of UTI	160	160
Shares of C Ltd	125	100
	<u>535</u>	<u>525</u>
Long Term Investments		
Shares of Y Ltd (subsidiary)	200	210
Shares of Z Ltd	150	130
Shares of W Ltd ( subsidiary )	80	10
	<u>430</u>	<u>350</u>

Compute the value of investment for balance sheet purpose assuming the fall in value of investment in Z Ltd as temporary and that of W Ltd as permanent .

Q.4

The following is the Trial Balance of XP Finance Ltd as on 31<sup>st</sup> March 2006

14

S.No	Account Head	Amount ( Rs.)	
		Debit	Credit
1	Share Capital		4,00,00,000
2	Share Premium		1,00,00,000
3	Investments : Equity shares of NC Ltd	49,75,000	
4	Cash at Bank in Current Account	18,550	
5	Fixed Deposits with banks	10,55,367	
6	Cash in Hand	1,256	
7	Tax deducted at source	37,420	
8	Expenses payable		21,050
9	Preliminary expenses	32,840	
10	Balance in Profit and Loss Account 1-04-2005	4,28,23,210	
11	Loss on sale of investments	11,25,775	
12	Interest on fixed deposits with Banks		54,278
13	Bank Charges	110	
14	Legal and Professional charges	4,600	
15	Stationary	1,200	
	Total	5,00,75,328	5,00,75,328

Further information :

Authorised share capital of the company is 50,00,000 equity shares of Rs.10 each

20,00,000 shares were issued at a premium of Rs.5 each

Interest accrued on fixed deposits with banks for the year Rs.364

Audit fee for the year payable Rs.5,000

Other expenses payable for the year :

Legal and Professional charges Rs.4,400

Travelling and conveyance expenses Rs.2,250

Preliminary expenses to be written off Rs.16,420

Required :

Prepare the following financial statements of XP Finance Limited :

Balance sheet as at 31<sup>st</sup> March 2006

Profit and Loss account for the year ended 31<sup>st</sup> March 2006

Profit and Loss Appropriation account for the year ended 31<sup>st</sup> March 2006

Briefly comment on the performance of the company

**OR**

**Q.4**

Consider the Balance Sheet of Jai Prakash Ltd as on 31<sup>st</sup> December ,2008 (Rs. Lakhs )

**14**

	31.12.2008	31.12.2007
Sources of Fund		
Shareholders funds		
Share Capital ( equity shares of Rs.10 each )	2250	1500
Reserves and Surplus		
General Reserve	600	450
Share Premium	750	300
Profit & loss balance	360	185
Loan Funds		
14% secured debentures	350	150
Long-term borrowings from banks	150	200
Cash Credit	250	150
Total sources	4710	2935
Application of Funds		
Fixed Assets		
Gross Block	2950	1950
Less: Accumulated Depreciation	1025	775
Net Block	1925	1175
Capital – work in progress	450	250
Investments		
Long -term	275	225
Medium-term	190	145
Short-term (less than three months )	90	55
Current Assets , Loans and Advances		
Inventories		
Raw materials	210	265
Semi-finished goods	110	65
Finished goods	300	215
Sundry debtors	525	385
Cash and bank balances	178	56
Advance tax	215	155
Other Loans and Advances	767	419
Less : Current Liabilities and Provisions		
Sundry creditors	90	105
Interest payable	25	50
Provision for tax	190	155
Proposed dividend	200	150
Tax on dividend	20	15
Net current assets	1780	1085
Total Applications	4710	2935



Other Information :

Interest expenses during the year was Rs.115 lakhs of which only Rs.90 lakhs was paid during the year .:Interest expenses relating to prior period of Rs.50 lakhs was also paid during the year: .Assessment for 2007 was completed in September 2008 . The final liability was settled at Rs.145 lakhs and the income tax department has paid the refund for excess tax paid . The refund amount is credited to advance tax account . Profit on sale of fixed assets of Rs.45 lakhs credited to General Reserves .:Original cost of fixed assets sold Rs.100 lakhs :Depreciation charged to P & L account during the year Rs.300 lakhs . .During the year equity shares of Rs.50 lakhs were repurchased by the company at a premium of Rs.50 lakhs .Share premium balances were utilised for premium portion of repurchase .

Interest received ( tax deducted at source Rs.15 lakhs ) Rs.45 lakhs

a. Dividend received Rs.75 lakhs

b. Tax deducted source from interest received is included in advance tax balance as on 31<sup>st</sup> December 2008 .

Prepare cash flow statement for the year

**Q.5 (a)** Consider the following details

**07**

DESCRIPTIONS	2000-2001	1999-2000	1998-1999
Profit after tax ( Rs. Million )	550	510	470
Equity shares outstanding at the beginning of the year ( number in million )	60	40	40
Bonus issue on 01.12.1999 @1:2 (number in million )		20	
Right issue ( number in million ) on 01.10.2000 @ Rs.30 per share ( Face Value Rs.10 ) of one share for every six held on that date . Pre-right fair value per share Rs.50	10		

Calculate EPS for year 2000-2001 and comparative EPS for past two years

**(b)** Explain in detail strengths of US GAAP and key benefits to companies complying with US GAAP. Can you say US GAAP is popular among Indian industry?

**07**

**OR**

**Q.5 (a)** Consider the following data of two companies

**07**

Description	A Limited	B Limited
PAT ( Rs. Lakhs )	85	(5)
Interest on long-term losses (Rs lakhs )	40	25
Cash flows from operating activities after tax { before deducting interest }(Rs.lakhs )	65	45
Long term loans at the end of year ( Rs lakhs )	200	125
Instalments paid during the year	40	20
Equity (Rs lakhs )	225	100

Calculate long-term solvency ratios . Comment upon any abnormality observed .

**(b)** Define term ‘ Related Party ‘ and explain in brief about ‘ Related Party disclosures ‘ under AS – 18 .

**07**

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**GUJARAT TECHNOLOGICAL UNIVERSITY**M. B. A. 1<sup>ST</sup> Semester Remedial Examination –July- 2011**Subject code: 810001****Subject Name: Accounting For Managers****Date:06/07/2011****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)** The trial balance of Vishal Packaging Ltd for the current accounting period is as follows;

**07**

Trial Balance, December 31, 2010

Particulars	Debit	Credit
Packing Equipment	30000	
Accumulated Depreciation, Packaging Equipment		9000
office Equipment	10000	
Accumulated Depreciation, Office Equipment		3000
Packaging Supplies	6280	
Office Supplies	2650	
Debtors	2170	
Cash	8820	
Prepaid Rent	9600	
Bills Payable		2500
Creditors		1360
Unearned Revenue		1800
Share Capital		35000
Retained Earnings		1350
Dividends	2500	
Revenue from Services		41260
Salaries Expense	14910	
Electricity Expense	2340	
Advertisement Expense	4800	
Telephone Expense	1200	
Total	95270	95270

## Additional Information;

1. Estimated depreciation on packaging equipment Rs. 3000
2. Estimated depreciation on office equipment Rs. 1000
3. Inventory of Packaging supplies Rs. 2360
4. Inventory of office supplies Rs. 1190
5. Prepaid rent includes rent for January to March 2011 at Rs. 840 p.m.
6. Accrued interest on the bill payable at 15 per cent per annum from September 1, 2010.
7. Services provided to clients that had been paid for in advance but not taken as revenue Rs. 1040.
8. Unbilled revenue Rs. 1390

9. Unpaid Salaries, Rs. 970
10. Prepaid Advertisement Rs. 400
11. Unpaid telephone expense Rs. 200
12. Estimated Income tax expense Rs. 1600

Prepare Income and Expenditure account, a statement of retained earnings and Balance sheet

- (b) Who are the users of accounting information, and why do the users need accounting information? How this information helpful to the users? **07**

- Q.2 (a)** Sudhir Company sold 20,000 crates of a soft drink at Rs. 120 during the year. Its beginning inventory consisted of 1,000 crates at Rs. 70 per crate. The following purchases were made during the year; 5,000 crates @Rs. 75; 8,000 Crates @ Rs. 76; 9,000 crates @ Rs. 80. Operating expenses were Rs. 3,65,000. Income tax is payable at 30 per cent. **07**

Calculate Net Profit using the FIFO and LIFO methods.

- (b) What do you mean by inventory valuation? State different methods of inventory valuation. Also discuss the impact of each valuation methods on COGS and Profit in inflated prices and deflated prices. **07**

**OR**

- (b) Why do we need global standardization of financial reporting? Is it feasible? Is it required? Why or Why not? **07**

- Q.3 (a)** Manish Dairy has four assets, data on which are as follows; **07**

Asset	Date of Purchase	Cost	Residual Value	Useful Life	Depreciation Method
Freezer	1/11/2009	90000	4000	5 Years	Sum-of-the-years' digits
Delivery Van	1/3/2010	60000	5000	50,000 Km	Production units
Refrigerator	1/10/2008	12000	800	6 Years	Written down value
Display Shelves	1/12/2007	8000	600	10 Years	Straight line

The Delivery Van logged 6,000 km in the year ended March 31, 2010.

Compute the depreciation expense for the period ended March 31 in 2008, 2009 and 2010. The amount is to be rounded to the nearest rupee.

- (b) Explain the significance of Ratio Analysis. **07**

**OR**

- Q.3 (a)** Explain methods of Depreciation on Fixed Assets. **07**

- (b) What do you understand by Trend Analysis? Explain with hypothetical example. **07**

- Q.4 (a)** The comparative balance sheet of Mishi Company as on December 31, 2009 and 2010 is as follows **07**

Particulars	2009	2010
Shareholders' Fund		
Share Capital	13700	13700
Reserves and Surplus	<u>3500</u>	7600
	17200	21300
Liabilities		
Secured Loans	11600	5000
Unsecured Loans	10300	29800
Current Liabilities and Provisions	<u>3900</u>	14900
Total Liabilities	25800	49700
Total Equities and Liabilities	43000	71000S
Assets		
Fixed Assets	21500	28400
Investments	200	300
Inventories	10800	21300
Debtors	7000	16500
Cash	3500	4500
Total Assets	43000	71000

Prepare common size balance sheet for Mishi Company for 2009 and 2010.

- (b) What are the merits of introducing environmental accounting and reporting the results obtained? 07

**OR**

- Q.4 (a)** Selected financial information about Vijay Company is given below; 07

Particulars	2009	2010
Sales	43000	69000
Cost of Goods Sold	32500	57000
Debtors	3000	7200
Inventories	5500	11400
Cash	800	1500
Other Current Assets	2700	4000
Current Liabilities	11000	16000

Compute the current ratio, quick ratio, Average debt collection period and inventory turnover for 2009 and 2010. State whether there is a favourable or unfavourable change in liquidity from 2009 to 2010. At the beginning of 2009, the company had debtors and inventories of Rs. 2500 and Rs. 3000 respectively.

- (b) Explain the role of Human Resource Accounting. 07

**Q.5 (a)** Ganesh Dairy Company's profit and loss account for the year ended September 30, 2010 is as follows;

**07**

Particulars	Amount
Sales	27100
Gain on sale of Investments	100
Interest Income	400
Cost of Goods Sold	18600
Depreciation Expense	4800
Selling and Administrative Expenses	1900
Interest Expense	600
Loss on sale of Equipment	200
Profit before Income Tax	1500
Income Tax	800
Profit After Tax	700

During the period, inventory decreased by Rs. 900, debtors (gross) increased by Rs. 1200, creditors decreased by Rs. 700 and income tax payable increased by Rs. 300. Selling and Administrative Expenses include provision for doubtful debt of Rs. 400. Debtors in the amount of Rs. 200 were written off during the period.

**(b)** Briefly explain the valuation of Lease.

**07**

**OR**

**Q.5 (a)** On March 1, Wadia Company issued Rs. 10,00,000 of 10 per cent, 10 year debentures. Interest is payable Semi annually. Compute the issue price of the debentures if the market interest rate on March 1 equals (1) 18 per cent (2) 10 per cent (3) 8 per cent.

**07**

**(b)** Briefly Explain Generally Accepted Accounting Principles.

**07**

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**GUJARAT TECHNOLOGICAL UNIVERSITY****M.B.A -I<sup>st</sup> 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 common-sized 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 31<sup>st</sup> December, 2000 and 2001. You are required to prepare a Funds Statement for the year ended 31<sup>st</sup> 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**

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**GUJARAT TECHNOLOGICAL UNIVERSITY****M.B.A -I<sup>st</sup> SEMESTER-EXAMINATION -JUNE- 2012****Subject code: 810001****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) “Financial Statements are the most important part of financial reporting” 07**

Discuss the above statement giving the objectives of financial statement and the contents of the various components of the financial statements.

**(b) From the following trial balance of Mr. A prepare a Trading, Profit & Loss Account and Balance Sheet for the year ended on 31<sup>st</sup> March, 2004. 07**

Trial Balance as on 31-03-04		(Rs. In ‘000)
	Dr.	Cr.
Purchases	21,750	
Discount allowed	1,300	
Wages	6,500	
Sales		30,000
Salaries	2,000	
Travelling Expenses	400	
Commission	425	
Carriage inwards	275	
Administration expenses	105	
Printing exp.	600	
Interest	250	
Building	5,000	
Furniture	200	
Debtors	4,250	
Capital		13,000
Creditors		2,100
Cash	<u>2,045</u>	
	<u>45,100</u>	<u>45,100</u>

Stock on 31-03-2004 was Rs, 60,00,000.

**Q.2 (a) Discuss the WDV and SLM methods of depreciation. Also mention the major provisions of the Income Tax Act regarding depreciation. 07**

**(b) “As per the revised Accounting Standard – 2 issued by ICAI, FIFO & WAC methods are recognized methods for inventory valuation”. Explain the FIFO & WAC methods of inventory valuation. 07**

**OR**

**(b) A company purchased raw materials during the month of March 2007 as stated below : 07**

March	2,	1,600 units @ Rs. 60 per unit
	8,	2,400 units @ Rs. 55 per unit
	11,	5,000 units @ Rs. 57 per unit
	19,	6,000 units @ Rs. 54 per unit
	23,	3,000 units @ Rs. 58 per unit
	30,	2,000 units @ Rs. 63 per unit

While preparing final accounts on 31<sup>st</sup> March 2007 the company had

2,600 units of raw materials in its godown.

You are required to calculate the values of closing stock of raw materials according to

- (a) First-In-First-Out Method
- (b) Last-In-First-Out Method
- (c) Weighted Average Method

- Q.3** (a) Briefly explain the meaning and significance of Cash Flow Statement and also the benefits to the users of Cash Flow Statement. **07**
- (b) ABC Co. provides you with this Profit and Loss Account and Balance Sheet for the previous two years. The directors are interested in tracking down the activities that generated cash inflows during the year ending 31<sup>st</sup> March, 2005. Prepare a Cash Flow Statement based upon the following details. **07**

ABC Co.  
Balance Sheet as at 31<sup>st</sup> March, 2005

		(Rs. in '000)
<b>ASSETS</b>		
	2004	2005
Land	4,00,000	5,00,000
Investments	2,00,000	--
Machinery	1,50,000	3,00,000
Cash in Hand	<u>41,000</u>	<u>2,00,000</u>
	<u>7,91,000</u>	<u>10,00,000</u>
<b>LIABILITIES</b>		
	2004	2005
Equity share capital	2,50,000	5,00,000
Preference share capital	50,000	20,000
Debentures	1,00,000	40,000
Long-term borrowing	--	30,000
Net Profit	1,00,000	1,19,000
Reserves and surplus	<u>2,91,000</u>	<u>2,91,000</u>
	<u>7,91,000</u>	<u>10,00,000</u>

ABC Co.  
Profit and Loss account for the year ending 31<sup>st</sup> March, 2005

			(Rs. in '000)
To Purchase (Cash)	15,000	By Sales (Cash)	30,000
To salaries & wages	5,000	By Interest Received	10,000
To Income Tax	1,000	By Dividend Income	15,000
To Debenture Interest	6,000		
To Div. (Pref. Share)	3,000		
To Div. (Equity Share)	6,000		
To Net Profit	<u>19,000</u>		
	<u>55,000</u>		<u>55,000</u>

**OR**

- Q.3** (a) "Auditors report and Directors report are mandated by Companies Act" **07**  
– Discuss the significance and implication of Auditors report.
- (b) The following ledger balances were extracted from the books of VXL as on 31<sup>st</sup> March 2006. **07**  
Land and Building Rs. 2,00,000, 12% debentures Rs. 2,00,000, share capital Rs. 10,00,000 (equity shares of Rs. 10 each fully paid up) Plant and Machinery Rs. 8,00,000, Goodwill Rs. 2,00,000, Investment in shares of R Ltd. Rs. 2,00,000, General Reserve Rs. 2,00,000, Stock in trade Rs. 1,00,000, Bill receivable Rs. 1,00,000, Debtors Rs. 1,50,000, Creditors Rs. 1,00,000, Bank loans (Unsecured) Rs. 1,00,000, Provision for taxation Rs. 55,000, Discount on issue of 12% debentures Rs. 5,000,

Proposed dividends Rs. 1,00,000. You are required to prepare the Balance Sheet of company as per Schedule-VI Part-I of the Companies Act-1956.

**Q.4 (a)** “It is prudent to confirm the findings of Horizontal Analysis, by using Trend Analysis”. Do you agree with above statement ? Why ? **07**

**(b)** Following are the Balance Sheets of BKC Ltd. for the year ended December 2006 and 2007. **07**

ASSETS	2006	2007
Fixed Assets (Net)	1,20,000	1,75,000
Stock	20,000	25,000
Debtors	50,000	62,500
Bills receivable	10,000	30,000
Prepaid expense	5,000	6,000
Cash at Bank	20,000	26,500
Cash in Hand	<u>5,000</u>	<u>15,000</u>
	<u>2,30,000</u>	<u>3,40,000</u>
LIABILITIES	2006	2007
Equity capital	1,00,000	1,65,000
Pref. Capital	50,000	75,000
Reserves	10,000	15,000
P & L A/c	7,500	10,000
Bank O.D.	25,000	25,000
Creditors	20,000	25,000
Provision for Taxation	10,000	12,500
Proposed dividend	<u>7,500</u>	<u>12,500</u>
	<u>2,30,000</u>	<u>3,40,000</u>

Prepare a Common-size Balance Sheet and interpret the same

**OR**

**Q.4 (a)** Give the major ratios which help in analyzing the profitability and liquidity position of a firm. **07**

**(b)** Total current liabilities are Rs. 80,000 current ratio is 2.5:1. Acid test ratio 1.5:1. Total current assets include stock, debtors and cash only. Cash is 2/3 of debtors. Calculate debtors & cash. **07**

**Q.5 (a)** Define Human Resource Accounting giving its objectives and advantages. **07**

**(b)** Explain Responsibility Accounting giving the various types of responsibility centres. **07**

**OR**

**Q.5 (a)** Write a short note on – Relevance of Environmental Accounting. **07**

**(b)** “Due to globalization of economies, it is imperative to have uniform global financial reporting” – Discuss giving the significance of IFRS. **07**

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