

Internal Assessment Test – III

Sub:	Accounting For Managers						Code:		
Date:	29.1.2019	Duration:	90 mins	Max Marks:	50	Sem:	I	Branch:	MBA

Marks	OBE	
	CO	RBT
[02]	CO3	L1
[05]	CO4	L3
[08]	CO1	L3
[02]	CO3	L1
[05]	CO1	L1
[08]	CO4	L3
[02]	CO1	L2
[05]	CO5	L1
[08]	CO1	L4

Part A - Answer Any Two Full Questions (15*02=30 Marks)

- 1(a) What is Cash Flow Statement?
- (b) The ratio's relating to X ltd are given as follows:
- Gross profit ratio is 15%
 Stock velocity is 6 months
 Debtors velocity is 3 months
 Creditors velocity is 3 months
 Gross profit for the year ending 31-12-2009 amounts to Rs 60000. Closing stock is equal to opening stock. Calculate
 a) Sales B) Closing stock c) Debtors D)Creditors.
- (c) X ltd sells goods on cash and credit. The following information is extracted from its books. You are required to calculate the average collection period.

Total Gross Sales	22,50,000
Cash sales included in the above	2,50,000
Sales return	7,000
Total debtors	1,50,000
Bills Receivables	2,00,000

- 2 (a) What is ratio analysis?
- (b) What do you mean by Forensic accounting? List the importance of forensic accounting.
- (c) Using the following financial data, complete a balance sheet:

Gross Profit (20% of sales)	60,000
Shareholders' equity	50,000
Credit sales to total sales	80%
Total assets turnover (on sales)	3 times
Stock turnover	8 times
Average Collection period (360 days)	18 days
Current ratio	1.6:1
Long term debt to equity	40%

- 3(a) Differentiate between Direct tax and Indirect Tax?
- (b) What is IFRS? What are the objectives of IFRS?
- (c) Explain the deduction under 80C of Income tax act.

Part B - Compulsory (02*10=20 marks)

4

(a) From the following information complete the balance sheet for the year 2015-16: [10]

CO4

L3

Balance Sheet as on 31-3-16

Liabilities	Rs	Assets	Rs
1,00,000 Equity Shares of Rs.10 each	10,00,000	Fixed Assets	12,50,000
General Reserve	9,00,000	Stock	3,50,000
Profit and Loss A/c	25,000	Sundry Debtors	1,80,000
6% Debentures	2,00,000	Cash	5,15,000
Sundry Creditors	1,20,000		
Proposed Dividends	50,000		
	22,95,000		22,95,000

Profit and Loss Account

(for the year ended 31-03-2016)

Sales	24,00,000
Less: Cost of Goods Sold	16,00,000
Gross Profit	8,00,000
Expenses	7,00,000
Net Profit	1,00,000

You are required to compute the following ratio:

i) Current Ratio, ii) Acid Test Ratio, iii) Gross Profit Ratio, iv) Net Income to Capital, v) Debt to Equity Ratio, vi) Fixed Asset to Turnover Ratio

(b) Following are the balance sheet of Kiran Ltd for the year 2015 and 2016. [10]

CO3

L4

Particulars	2015	2016	Particulars	2015	2016
Equity share capital	3,00,000	3,50,000	Fixed Assets	5,10,000	6,20,000
15% Preference share	2,00,000	1,00,000	Investment	30,000	80,000
15% Debentures	1,00,000	2,00,000	Current Assets	2,00,000	3,05,000
Reserves and surplus	1,10,000	2,70,000	Cash in Hand	40,000	70,000
Current liabilities	80,000	1,60,000	Discount on issues of debenture	10,000	5,000
Total	7,90,000	10,80,000		7,90,000	10,80,000

Adjustment:

1. A machine with a book value of Rs 40,000 was sold for Rs 25,000
2. 15% preference shares were redeemed at a premium of 15% on 31.3.15 for Rs 1,00,000.
3. Dividend on equity share @15% was paid for the year 2015 during 2016.
4. Depreciation charged during 2016 was Rs 60,000

Answer Key for Accounting For Managers
Date of the IAT -3 : 29/1/19 Semester: I Subject Code: 18MBA13

Part A

1. A) **What is cash Flow statement?**

A cash flow statement is a financial statement that provides aggregate data regarding all cash inflows a company receives from its ongoing operations and external investment sources, as well as all cash outflows that pay for business activities and investments during a given period.

2a) **What is Ratio analysis**

A **ratio analysis** is a quantitative **analysis** of information contained in a company's **financial** statements. **Ratio analysis** is used to evaluate various aspects of a company's operating and **financial** performance such as its efficiency, liquidity, profitability and solvency

b) **Forensic accounting. List the importance of Forensic accounting:**

Forensic accounting utilizes accounting, auditing and investigative skills to conduct an examination into a company's financial statements. Forensic accounting provides an accounting analysis suitable for court. Forensic accountants are trained to look beyond the numbers and deal with the business reality of a situation. They are frequently used in fraud cases.

Importance of Forensic Accounting:

- Enhanced Efficiency
- Aids Businesses in Managing Finances
- Minimal Loses
- Reduces Risk of Exploitation
- Enhanced Authority and Better Brand Reputation
- Helps in Avoiding Legal Issues
- Can be Used to Monitor Professionals

3a) **Differentiate Direct and Indirect Tax**

Direct Tax

1. Direct tax is **paid directly** by an individual or organization to an imposing entity like government
2. Direct Taxes are based on the **ability-to-pay principle**, which means that **if you earn more, your rate of tax is also more.**
3. The purpose of Direct Tax is **to redistribute the wealth** of a nation (taking from rich, thus making them poorer)
4. Direct taxes **cannot be passed on** to a different person or entity;
5. **The individual** or organization upon which the tax is levied is **responsible for the fulfillment of the full tax payment.**
6. It is considered to be **progressive tax** since you tax depending upon the ability of the taxpayer to pay

B: Indirect Tax

1. An indirect tax is a tax that is shifted from one taxpayer to another i.e. collected by one person but actually born by another person
2. An indirect tax is levied on goods or services, which increases the price of a good or services
3. The tax is actually paid by the end consumer, by way of a higher retail price.
4. Indirect taxes are levied equally upon all taxpayers irrespective of their income.
5. Indirect taxes are passed on, as the price of the tax is compensated for by simply increasing the overall price of the good or service.
6. It is considered to be a regressive tax since all taxpayers whether rich or poor have to bear the same burden.

b) IFRS, What are the objectives:

The International Accounting Standards Board (the Board) was established in 2001 and is the independent standard-setting body of the IFRS Foundation, an independent, private sector, not-for-profit organisation working in the public interest. Its principal objectives are:

- to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted international financial reporting standards (IFRS Standards) based upon clearly articulated principles. These standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial information make economic decisions;
- to promote the use and rigorous application of those standards;
- in fulfilling the objectives associated with (1) and (2), to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings; and
- to promote and facilitate adoption of IFRS Standards, being the standards and interpretations issued by the Board, through the convergence of national accounting standards and IFRS Standards.

c) Explain the deductions under 80C of Income Tax Act

1. Section 80C

Deductions on Investments

Under section 80C, a deduction of Rs 1,50,000 can be claimed from your total income. In simple terms, you can reduce up to Rs 1,50,000 from your total taxable income through section 80C. This deduction is allowed to an Individual or a HUF. A maximum of Rs 1, 50,000 can be claimed for the FY 2018-19, 2017-18 and FY 2016-17 each.

2. Section 80CCC – Insurance Premium

Deduction for Premium Paid for Annuity Plan of LIC or Other Insurer

This section provides a deduction to an individual for any amount paid or deposited in any annuity plan of LIC or any other insurer. The plan must be for receiving a pension from a fund referred to in Section 10(23AAB). Pension received from the annuity or amount received upon surrender of the annuity, including interest or bonus accrued on the annuity, is taxable in the year of receipt.

3. Section 80CCD – Pension Contribution

Deduction for Contribution to Pension Account

a. **Employee's contribution** – Section 80CCD (1) is allowed to an individual who makes deposits to his/her pension account. Maximum deduction allowed is 10% of salary (in case the taxpayer is an employee) or 20% of gross total income (in case the taxpayer being self-employed) or Rs 1, 50,000, whichever is less.

4. Section 80 TTA – Interest on Savings Account

Deduction from Gross Total Income for Interest on Savings Bank Account

A deduction of maximum Rs 10,000 can be claimed against interest income from a savings bank account. Interest from savings bank account should be first included in other income and deduction can be claimed of the total interest earned or Rs 10,000, whichever is less. This deduction is allowed to an individual or an HUF. It can be claimed for interest on deposits in savings account with a bank, co-operative society, or post office. Section 80TTA deduction is not available on interest income from fixed deposits, recurring deposits, or interest income from corporate bonds.

5. Section 80GG – House Rent Paid

Deduction for House Rent Paid Where HRA is not Received

- a. This deduction is available for rent paid when HRA is not received. The taxpayer, spouse or minor child should not own residential accommodation at the place of employment
- b. The taxpayer should not have self-occupied residential property in any other place
- c. The taxpayer must be living on rent and paying rent
- d. The deduction is available to all individuals