

Internal Assessment Test - I

Sub:	Accounting For Managers	Code:	18MBA13
Date:	5/11/19	Branch:	MBA
Duration:	90 mins	Max Marks:	50
Sem:	I		

**Part A - Answer Any Two Full Questions (2\* 20 = 40 marks)**

- 1 (a) What is Accounting Cycle?  
 (b) Explain five users of accounting information  
 (c) Following are the balances extracted from the books of Mr. A. Prepare trial balance.

Particulars	Amount	Particulars	Amount
Capital	40,000	Purchases	94,000
Creditors	13,000	Sales returns	3400
Drawings	4000	Purchase returns	2400
Salaries	7200	Carriage inwards	1400
Bills receivables	5800	Printing and stationery	3500
Bills payable	7000	Stock	29,900
Debtors	16,000	Machinery	10,000
Sales	144,000	Household goods	3000
Insurance	1200	Wages	5000
Bad debts	600	Rent	1600
Land	20,000	Interest received	1700
Discount	900	Travelling expenses	1000
Commission received	800	Electricity charges	400

- 2 (a) Define accounting  
 (b) Hari and Co. incurred the following expenses during the year 2010 classify the expenses as capital and revenue.

Rs 850, spent towards replacement of a worn out part in a machinery.  
 Rs 1700 spent for legal expenses in relation to raising of a loan of a business.  
 Rs 500 spent for ordinary repairs of plant.  
 Rs 7000 spent on replacing a petrol driven engine by a diesel driven engine.  
 Electricity charges Rs 1500 per month

- (c) Show the accounting equation on the basis of following transactions  
 Commenced business with cash Rs 90,000  
 Purchased goods on credit for Rs 25,000  
 Purchased furniture on cash for Rs 25,000  
 Received commission Rs 2000  
 Paid salaries of Rs 500  
 Sold goods on credit for Rs 6000  
 Opened an account with SBI Rs 5000

Marks	OBE	
	CO	RBT
[03]	CO1	L1
[07]	CO2	L2
[10]	CO1	L3
[03]	CO2	L1
[07]	CO1	L3
[10]	CO3	L3

Withdrawn for personal use Rs 1000

- 3 (a) Discuss personal accounts and its types with example  
 (b) Explain Journal, ledger and trial balance with the format.  
 (c) Summarise any five accounting concepts and conventions

[03] CO1 L2

[07] CO2 L2

[10] CO1 L5

**Part B - Compulsory (01\*10=10 marks)**

4 (a) Journalise the following transactions in the books of Ramesh

[10] CO1 L3

- 1/3/18 Ramesh started business with cash Rs 50,000 and Stock Rs 60,000  
 2/3/18 Purchased goods from Mr. Sunil for Cash Rs 20,000  
 3/3/18 Sold goods to Mr. A on credit for Rs 25,000  
 4/3/18 Received Rs 19500 from A in full settlement of his account  
 5/3/18 Paid wages, salaries, electricity bill of Rs 500, Rs 15000, and Rs 2000 respectively.  
 6/3/18 Received interest Rs 500  
 7/3/18 Charge depreciation on furniture @ 10% ( furniture costing Rs 20,000)  
 9/3/18 Withdrew for personal use Rs 4000  
 9/3/18 Opened a bank account Rs 2000  
 10/3/18 Purchased furniture Rs 10,000  
 11/3/18 Bought goods for Rs 2000  
 12/3/18 Paid life insurance Premium of Rs 2000  
 14/3/18 Sold to Murthy subject to trade discount @ 2% for Rs 5000  
 15/3/18 Received from Murthy in full settlement of account  
 16/3/18 Paid Madavan by cheque Rs 370. Discount allowed by him Rs 10  
 17/3/18 Received from Raman Rs 1800. Allowed him discount Rs 40  
 19/3/18 Took loan from C Rs 10,000  
 25/3/18 Goods distributed as samples Rs 500  
 26/3/18 Loss of cash by theft Rs 400

CO3 L4

Course Outcomes		PO1	PO2	PO3	PO4	PO5	PO6	PO7
CO1:	Explain fundamental accounting concepts, the elements of financial statements and basic accounting vocabulary	1a,1b,1c,3a,3b,4a						
CO2:	Explain the use of accounting equation, and explain how accounting equation is related to financial statements	2a,3c	2b					
CO3:	Prepare basic entries for business transactions and present the data in accurate and meaningful way							
CO4:	Prepare the basic financial statements and explain its articulation							
CO5:	To analyse company's financial statements and come to the conclusion by reasoning the performance of the company.							
CO6:								

*Rajeshwar*  
CCI

*Dr. S. Srinivas*



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Marks	OBE	
	CO	RBT

**Part A - Answer Any Two Full Questions (2\*20 = 40 marks)**

1 (a) **What is Accounting Cycle**

The accounting cycle is a collective process of identifying, analyzing, and recording the accounting events of a company. The series of steps begin when a transaction occurs and end with its inclusion in the financial statements.

(b) **Explain the five users of accounting information**

Users of accounting information are internal and external. External users are creditors, investors, government, trading partners, regulatory agencies, international standardization agencies, journalists and internal users are owners, directors, managers, employees of the company.

(c) **Following are the balances extracted from the books of Mr. A prepare trial balance**

Particulars	Amount	Particulars	Amount
Capital	40,000	Purchases	94,000
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Land	20,000	Interest received	1700
Discount	900	Travelling expenses	1000
Commission received	800	Electricity charges	400

2 (a) **Define accounting**

Accounting is the process of recording financial transactions pertaining to a business. The accounting process includes summarizing, analyzing, and reporting these transactions to oversight agencies, regulators, and tax collection entities.

[03] CO1 L1

[07] CO2 L2

[10] CO1 L3

[03] CO2 L1

(b) Hari and Co. incurred the following expenses during the year 2010 classify the expenses as capital and revenue.

- Rs 850, spent towards replacement of a worn out part in a machinery.
- Rs 1700 spent for legal expenses in relation to raising of a loan of a business.
- Rs 500 spent for ordinary repairs of plant.
- Rs 7000 spent on replacing a petrol driven engine by a diesel driven engine.
- Electricity charges Rs 1500 per month

**Solution:**

- Capital expenditure
- Capital expenditure
- Revenue Expenditure
- Capital expenditure
- Revenue Expenditure

[07]	CO1	L3
[10]	CO3	L3
[03]	CO1	L2
[07]	CO2	L2
[10]	CO1	L1

(c) Show the accounting equation on the basis of following transactions

- Commenced business with cash Rs 90,000
- Purchased goods on credit for Rs 25,000
- Purchased furniture on cash for Rs 25,000
- Received commission Rs 2000
- Paid salaries of Rs 500
- Sold goods on credit for Rs 6000
- Opened an account with SBI Rs 5000
- Withdrawn for personal use Rs 1000

3 (a) Discuss personal accounts its types with example

Accounting is the process of recording financial transactions pertaining to a business. The accounting process includes summarizing, analyzing, and reporting these transactions to oversight agencies, regulators, and tax collection entities.

(b) Explain Journal , ledger and trial balance with the format.

a ledger is an account wise summary of all monetary transactions, whereas a trial balance is the debit and credit balance of such ledger accounts. Traditionally a ledger was prepared in a physical book with a separate page for each account and a trial balance was derived from these accounts.

(c) Summarise any five accounting concepts and conventions

**Accounting Concepts**

**Business entity concept:** A business and its owner should be treated separately as far as their financial transactions are concerned.

**Money measurement concept:** Only business transactions that can be expressed in terms of money are recorded in accounting, though records of other types of transactions may be kept separately.

**Dual aspect concept:** For every credit, a corresponding debit is made. The recording of a transaction is complete only with this dual aspect.

**Going concern concept:** In accounting, a business is expected to continue for a fairly long time and carry out its commitments and obligations. This assumes that the business will not be forced to stop functioning and liquidate its assets at "fire-sale" prices.

**Cost concept:** The fixed assets of a business are recorded on the basis of their original cost in the first year of accounting. Subsequently, these assets are recorded minus depreciation. No rise or fall in market price is taken into account. The concept applies only to fixed assets.

#### Accounting Conventions:

Accounting Conventions

There are four main conventions in practice in accounting: conservatism; consistency; full disclosure; and materiality.

**Conservatism** is the convention by which, when two values of a transaction are available, the lower-value transaction is recorded. By this convention, profit should never be overestimated, and there should always be a provision for losses.

**Consistency** prescribes the use of the same accounting principles from one period of an accounting cycle to the next, so that the same standards are applied to calculate profit and loss.

**Materiality** means that all material facts should be recorded in accounting. Accountants should record important data and leave out insignificant information.

**Full disclosure** entails the revelation of all information, both favourable and detrimental to a business enterprise, and which are of material value to creditors and debtors.

#### Part B - Compulsory (01\*10=10 marks)

4

(a)

- a) Journalise the following transactions in the books of Ramesh
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  - 2/3/18 Purchased goods from Mr. Sunil for Cash Rs 20,000
  - 3/3/18 Sold goods to Mr. A on credit for Rs 25,000
  - 4/3/18 Received Rs 19500 from A in full settlement of his account
  - 5/3/18 Paid wages, salaries, electricity bill of Rs 500, Rs 15000, and Rs 2000 respectively.
  - 6/3/18 Received interest Rs 500
  - 7/3/18 Charge depreciation on furniture @ 10% ( furniture costing Rs 20,000)
  - 9/3/18 Withdrew for personal use Rs 4000
  - 9/3/18 Opened a bank account Rs 2000
  - 10/3/18 Purchased furniture Rs 10,000
  - 11/3/18 Bought goods for Rs 2000
  - 12/3/18 Paid life insurance Premium of Rs 2000
  - 14/3/18 Sold to Murthy subject to trade discount @ 2% for Rs 5000
  - 15/3/18 Received from Murthy in full settlement of account

[10]

CO1	L3



- 16/3/18 Paid Madavan by cheque Rs 370. Discount allowed by him Rs 10  
 17/3/18 Received from Raman Rs 1800. Allowed him discount Rs 40  
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[10] 

CO3	L4
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CO6:								

Cognitive level	KEYWORDS
L1	List, define, tell, describe, identify, show, label, collect, examine, tabulate, quote, name, who, when, where, etc.
L2	summarize, describe, interpret, contrast, predict, associate, distinguish, estimate, differentiate, discuss, extend
L3	Apply, demonstrate, calculate, complete, illustrate, show, solve, examine, modify, relate, change, classify, experiment, discover.
L4	Analyze, separate, order, explain, connect, classify, arrange, divide, compare, select, explain, infer.
L5	Assess, decide, rank, grade, test, measure, recommend, convince, select, judge, explain, discriminate, support, conclude, compare, summarize.

PO1 - Knowledge application; PO2 - Analytical and logical thinking; PO3 - Team work; PO4 - Leadership; PO5 - life-long learning; PO6 - Analyze and practice aspects of business; PO7- Personal and Societal growth;

(5)

Solution to Qn 1c.

Preparation of Trial Balance.

Sl. No	Name of the Account	Debit balance	Credit Balance
1.	Capital A/c	—	40,000
2.	creditors A/c	—	13,000
3.	Drawings A/c	4,000	—
4.	Salaries A/c	7,200	—
5.	Bills Receivable A/c	5,800	—
6.	Bills payable A/c	—	7,000
7.	Debtors A/c	16,000	—
8.	Sales A/c	—	1,44,000
9.	Insurance A/c	1,200	—
10.	Bad debt	600	—
11.	Land A/c	20,000	—
12.	Discount A/c	900	—
13.	Commission Received A/c	—	850
14.	Purchases A/c	94,000	—
15.	Sales return A/c	3,400	—
16.	Purchase Returns A/c	—	2,400
17.	Carriage Inwards	1,400	—
18.	Printing and Stationery	3,500	—
19.	Stock	29,900	—
20.	Machinery A/c	10,000	—
21.	Household goods	3,000	—
22.	Wages	5,000	—
23.	Rent	1,600	—
24.	Interest received	—	1,700
25.	Travelling Expenses	1,000	—
26.	Electricity charges	400	—
	<b>Total</b>	<b>2,08,900</b>	<b>2,08,900</b>

⑥

Solution to 2c

$$\begin{array}{rcl}
 A & = & L + C \\
 \text{cash} & & \text{L} + \text{capital} \\
 90,000 & = & 0 + 90,000
 \end{array}
 \quad \begin{array}{l} \uparrow A \quad \uparrow E \end{array}$$

Purchased Goods on credit

$$\begin{array}{rcl}
 A & = & L + C \\
 \text{cash} + \text{Goods} & \text{creditor} + \text{capital} & \\
 90,000 + 0 & = & \overset{0}{\cancel{25,000}} + 90,000 \\
 + 0 + 25,000 & = & 25,000 + 0 \\
 \hline
 90,000 + 25,000 & = & 25,000 + 90,000
 \end{array}
 \quad \begin{array}{l} \uparrow A \quad \uparrow L \end{array}$$

Purchased furniture on cash in 25000/-

$$\begin{array}{rcl}
 C + G + \text{Furniture} & = & L + \text{capital} \\
 90,000 + 25,000 + 0 & = & 25,000 + 90,000 \\
 - 25,000 + 0 + 25,000 & = & 0 + 0 \\
 \hline
 65,000 + 25,000 + 25,000 & = & 25,000 + 90,000
 \end{array}
 \quad \begin{array}{l} \downarrow A \quad \uparrow A \end{array}$$

Received Commission in 2500

$$\begin{array}{rcl}
 C + G + F & = & L + \text{cap} \\
 65,000 + 25,000 + 25,000 & = & 25,000 + 90,000 \\
 + 2,500 + 0 - 0 & = & 0 + 2,500 \\
 \hline
 67,500 + 25,000 + 25,000 & = & 25,000 + 92,500
 \end{array}
 \quad \begin{array}{l} \uparrow A \quad \uparrow E \end{array}$$



Paid salaries Rs 500

$$\begin{array}{rcl}
 C + G + F & = & Cr + cap \\
 67000 + 25000 + 25000 & = & 25000 + 92000 \\
 - 500 + 0 + 0 & = & 0 - 500
 \end{array}$$

↓ A ↓ E

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$$66500 + 25000 + 25000 = 25000 + 91500$$


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Sold goods on credit Rs 6000

$$\begin{array}{rcl}
 C + G + F + Dr & = & Cr + cap \\
 66500 + 25000 + 25000 + 0 & = & 25000 + 91500 \\
 0 + 6000 + 0 + 6000 & = & 0 + 0
 \end{array}$$

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$$66500 + 19000 + 25000 + 6000 = 25000 + 91500$$


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Opened an Account with SBI Rs 5000

$$\begin{array}{rcl}
 C + G + F + Dr + Bank & = & Cr + cap \\
 66500 + 19000 + 25000 + 6000 + 0 & = & 25000 + 91500 \\
 - 5000 + 0 + 0 + 0 + 5000 & = & 0 + 0
 \end{array}$$

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$$61500 + 19000 + 25000 + 6000 + 5000 = 25000 + 91500$$

$$\leftarrow 1000 + 0 + 0 + 0 + 0 = 0 - 1000$$

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$$60500 + 19000 + 25000 + 6000 - 5000 = 25000 + 90500$$


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Solution to Qn 4a

Journalise the following Transactions

Date	Particulars	LF	Debit	Credit
1/3/18.	Cash A/c Store A/c to Ramesh capital. (Being capital invested)	Dr. Dr.	50,000 60,000	110,000
2/3/18	Purchase A/c to Cash A/c (Being cash purchase)	Dr	20,000	20,000
3/3.	A A/c to Sales A/c (Being credit sales)	Dr	25,000	25,000
4/3.	Cash A/c Dis allowed A/c to. A A/c (Being cash received and dis allowed)	Dr Dr	19,500 5,500.	25,000
5/3/18.	Wages A/c Salaries A/c Electricity Bill A/c to Cash	Dr. Dr. Dr.	500 1,500 2,000	17,500

6/3.	Cash A/c to Interest received A/c. (Being Interest received)	Dr	500	500
7/3/18	Depreciation A/c to furniture A/c	Dr	2000	2000
8/3/18	Drawings A/c to cash A/c.	Dr	4000	4000
9/3	Bank A/c to cash A/c.	Dr	2000	2000
10/3	Furniture A/c to cash A/c	Dr	10,000	10,000
11/3	Purchase A/c to cash A/c	Dr	2000	2000
12/3.	Life Insurance premium A/c to cash A/c.	Dr	2000	2000
14/3	Murthy A/c to Labr A/c	Dr.	4900	4900.
15/3	Cash A/c Dis allowed A/c to Murthy	Dr Dr	4900 100	5000



16/3	Madhavan A/c	Dr	400	
	to Bank A/c			370
	to Dis received A/c			30
17/3	Cash A/c	Dr	1760	
	Dis allowed A/c	Dr	40	
	to Ramon			1800
19/3	Cash A/c	Dr	10,000	
	to C Loan A/c			10,000
25/3	Advertisement A/c Distribution A/c	Dr	500	
	to Goods			500
26/3	Loss of cash on Theft A/c	Dr	400	
	to cash A/c			400