

# CBCS SCHEME

18MBA13

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## First Semester MBA Degree Examination, Dec.2019/Jan.2020 Accounting for Managers

Time: 3 hrs.

Max. Marks:100

- Note: 1. Answer any FOUR full questions from Q1 to Q7.  
2. Question No.8 is compulsory.

- 1 a. Why is the going concern concept postulate control to accounting practice? (03 Marks)  
b. If the value of fixed assets falls, is it necessary to provide depreciation? What are the basic factors considered for calculation of depreciation? (07 Marks)  
c. Analyse the effects of these transactions on the accounting equation.

Date	Transactions
01/03/2018	Suresh began business with cash Rs.1,50,000 and Rs.20,000 in Bank
02/03/2018	Took a loan of Rs.50,000 from Mahesh
03/03/2018	Purchased for cash two computers each costing Rs. 50,000 and goods costing Rs. 25,000 on credit.
04/03/2018	Paid to creditors Rs.5,000
10/03/2018	Paid salary Rs.5000 and office rent Rs.2,000
12/03/2018	Sold goods on credit Rs.10,000
15/03/2018	Withdrew Rs.5,000 in cash for personal use
18/03/2018	Withdrew from bank Rs.2,000
20/03/2018	Purchase goods worth Rs.50,000
25/03/2018	Sold goods on cash Rs.20,000

(10 Marks)

- 2 a. Define direct and indirect tax with example. (03 Marks)  
b. Distinguish between trial balance and balance sheet. (07 Marks)  
c. Journalise the following transactions in the books of Mr.A.

Date	Transactions
02/12/2018	Ram started business with a capital of Rs.10,000
04/12/2018	Purchased furniture for cash Rs.5,000
07/12/2018	Purchased goods from Mohan Rs.2,000
10/12/2018	Sold goods for cash Rs.3,000
15/12/2018	Paid to Mohan
20/12/2018	Cash withdrawn from bank for personal use Rs.500
22/12/2018	Paid salary and postage Rs.5000 and Rs.150 respectively
24/12/2018	Cash deposited into bank Rs.1,500
26/12/2018	Interest received Rs.100
28/12/2018	Paid rent by cheque Rs.2,500.

(10 Marks)

- 3 a. List the main benefits derived from Human Resource Accounting. (03 Marks)  
 b. Discuss the features and objectives of IFRS. (07 Marks)  
 c. From the following Trial Balance (containing some errors) prepare corrects trial balance.

Sl.No	Name of account	Debit (Rs.)	Credit (Rs.)
1.	Purchases	60,000	—
2.	Reserve fund	20,000	—
3.	Sales	—	1,00,000
4.	Purchase return	1000	—
5.	Sales return	2000	—
6.	Opening stock	30,000	—
7.	Closing stock	—	40,000
8.	Expenses	—	20,000
9.	Outstanding expenses	2000	—
10.	Bank	5000	—
11.	Assets	50,000	—
12.	Debtors	80,000	—
13.	Creditors	—	30,000
14.	Capital	—	94,000
15.	Suspense account	—	10,000

(10 Marks)

- 4 a. A business concern has assets of Rs.41,50,000 and owner's equity is Rs.23,55,000. What is the amount of liabilities? (03 Marks)  
 b. Point out the various deductions available under Sec., 80C of Income Tax Act, 1961. (07 Marks)  
 c. Prepare three column cash book of Mr. Mohan from the following particulars.

Date	Transactions
2018 Aug.1	Cash in hand Rs.25,000 and Bank Rs.40,000
Aug.2	Purchased goods for cash Rs.5,000
Aug.4	Sold goods to Vikas Rs.8,000 on credit
Aug.5	Received Rs.5,900 form Mr. X in full settlement of his a account Rs.6,000
Aug.6	Purchased office furniture and issued a cheque Rs.5,000
Aug.7	Drawn from bank for office use Rs.2,000 and for personal use Rs.1,000
Aug.9	Purchased goods for cash Rs.15,000
Aug.12	Purchased motor cycle on account from ABC motors for Rs.30,000
Aug.14	Paid to Mr. A Rs.295, discount received Rs.5
Aug.15	Paid wages Rs.500
Aug.18	Sold goods for cash Rs.10,000

(10 Marks)

- 5 a. State any three benefits of sustainability reporting. (03 Marks)
- b. Ratio analysis is a tool to examine the health of a business with a view to make the financial results more intelligible? Explain. (07 Marks)
- c. Liabilities and assets of Western manufactures Ltd., as on 1<sup>st</sup> January, 2018 and 31<sup>st</sup> December 2018 are as follows :

Liabilities	01/01/18	31/12/18	Assets	01/01/18	31/12/18
Share capital	2,50,000	2,50,000	Land and buildings	1,50,000	1,50,000
5% debentures	1,00,000	80,000	Machinery	82,000	90,000
Creditors	1,15,000	1,08,000	Stock	1,00,000	1,14,000
Surplus account	20,000	27,000	Debtors	85,000	81,000
Depreciation fund	40,000	44,000	Cash Bank	60,000	55,000
Reserve for contingencies	70,000	55,000	Temporary investments	1,31,000	95,000
Outstanding expenses	15,000	24,000	Prepaid expenses	2,000	3,000
	6,10,000	5,88,000		6,10,000	5,88,000

Following additional information is also available :

- i) New machinery was purchased for Rs.30,000 but old machinery costing Rs.15,000 was sold for Rs.5000 accumulated depreciation was Rs.8,000
- ii) Rs.20,000, 5% debentures were redeemed by purchase from open market @Rs. 96.
- iii) Rs.36000 investments were sold at book value
- iv) 12% dividend was paid in cash
- v) Rs.15000 was debited to contingency reserve for settlement of previous tax liability
- You are required to prepare cash flow statement by indirect methods. (10 Marks)

- 6 a. What do you understand by suspense account? (03 Marks)
- b. Prepare a Trading Account of a trader for the year ending 31/03/2018 from the following data:

Particulars	Rs.
Opening stock 01/04/2018	2,40,000
Cash purchases for the year	2,08,000
Credit purchases for the year	4,00,000
Cash sales for the year	3,50,000
Credit sales for the year	6,00,000
Purchase returns during the year	8,000
Goods withdrawn by the trader for personal use	2,000
Stock damaged by fire during the year	13,500
Sales returns during the year	10,000
Direct expenses: Freight	10,000
Carriage	2,000
Import duty	8,000
Clearing charges	12,000
Cost of goods distributed as free samples during the year	5,000

Adjustment :

The cost of unsold stock on 31<sup>st</sup> March 2018 was Rs.1,20,000 but its market value of same Rs.1,50,000. (07 Marks)

- c. A firm purchased a machinery on 01/01/03 at a cost of Rs.52,380 and spent Rs.1620 on its installation. On January 1, 2003 another machinery for Rs.19,000 was acquired. On 1<sup>st</sup> July, 2004, the machinery purchased on 1<sup>st</sup> January, 2003 having become obsolete was auctioned for Rs.28,600 and on the same date fresh machinery was purchased at a cost of Rs.40,000. Depreciation was provided for annually on 31<sup>st</sup> December @ the rate of 10% on written down value. Calculate machinery account for 3 years. (10 Marks)

- 7 a. Define window dressing with examples. (03 Marks)  
 b. Discuss the various users of accounting information. (07 Marks)  
 c. Prepare Balance Sheet for the following data :
- |  |             |
|--|-------------|
| Gross profit (20% of sales)                    | – Rs.60,000 |
| Shareholders equity                            | – Rs.50,000 |
| Credit sales to total sales                    | – Rs. 80%   |
| Total Assets turnover                          | – 3 times   |
| Stock turnover                                 | – 8 times   |
| Average collection period [360 days in a year] | – 18 days   |
| Current ratio                                  | – 1.6 : 1   |
| Long term debt to equity                       | – 40%       |
- (10 Marks)

8 **CASE STUDY (compulsory) :**

Following are the balances of JOHRI Co., Ltd., as on 31.03.2018

Debit	Rs.	Credit	Rs.
Premises	30,72,000	Share capital	40,00,000
Plant	33,00,000	12% debentures	30,00,000
Stock	7,50,000	P & L a/c	26,250
Debtors	8,70,000	Bills payable	3,70,000
Goodwill	2,50,000	Creditors	4,00,000
Cash @ Bank	4,06,500	Sales	41,50,000
Calls in Arrear	75,000	General reserve	2,50,000
Interim dividend paid	3,92,500	Bad debts provision	35,000
Purchases	18,50,000		
Preliminary expenses	50,000		
Wages	9,79,800		
General expenses	68,350		
Salary	2,02,250		
Bad debts	21,100		
Debenture interest paid	1,80,000		
	1,24,67,500		1,24,67,500

Additional information :

- i) Depreciation plant by 15%
- ii) Write off Rs. 5,000 from preliminary expenses
- iii) Half year's debenture interest due
- iv) Create 5% provision for doubtful debts
- v) Provide for Income Tax @ 50%
- vi) Closing stock was Rs. 9,50,000
- vii) A claim of Rs.2,50,000 workmen's compensation is being disputed by the company.

Prepare a statement showing Profit and Loss Account and a Statement of Balance Sheet as on 31/03/2018 in vertical format. (20 Marks)

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