

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER-I • EXAMINATION – SUMMER • 2014

Subject Code: 2810001

Date: 19-05-2014

Subject Name: Accounting for Managers

Time: 14.30 pm - 17.30 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)** From the following particulars given by Mr. Abhay, you are required to prepare Trading A/c, Profit and Loss A/c and Balance Sheet for the year ended 31st March, 2013 : **07**

Particulars	Amt. (Rs.)	Particulars	Amt. (Rs.)
Sales	6,50,000	Purchase Return	3,000
Sales return	5,000	Bad debts	3,000
Opening Stock	80,000	Bills payable	62,000
Purchases	2,90,000	Carriage inwards	40,000
Wages	50,000	Discount allowed	1,000
Debtors	1,00,000	Salary	30,000
Discount received	5,000	Drawings	50,000
Furniture	30,000	Building	2,00,000
Interest paid	4,000	Plant and Machinery	2,00,000
Creditors	1,20,000	Cash	12,000
Manufacturing Exps.	50,000	Bad and doubtful debt Reserve	5,000
Capital at the beginning	3,00,000	Closing stock	80,000

Additional information :

- (1) Outstanding salary is Rs. 5,000.
 - (2) Interest on capital is to be charged at 10%.
 - (3) Prepaid interest is Rs. 1,000.
 - (4) Provide for bad and doubtful debts @ 10% of debtors.
 - (5) Depreciate Plant and Machinery @ 10% p.a. and Building @ 5% p.a.
- (b)** Mr. X has done the following transactions and you are required to journalise the same. **07**
- (1) Mr. X started business by bringing in cash Rs. 10,00,000, out of which he deposited into the bank Rs. 8,00,000.
 - (2) Out of the amount deposited in the bank an investment in the form of 15 days fixed deposit of Rs. 5,00,000 was made.
 - (3) Mr. X got a loan from ABC Bank of Rs. 2,00,000 for working capital.
 - (4) Mr. X purchased goods of Rs. 3,00,000 from Mr. Anil and made a part payment of Rs. 50,000.
 - (5) Mr. X sold goods to Mr. Sunil worth Rs. 1,50,000.
 - (6) Mr. X paid rent by cheque Rs. 30,000 to the landlord Mr. Bala.
 - (7) Mr. X received interest of Rs. 2,000 on Bank FD.

- Q.2 (a)** On 1st April, 2011, X Ltd. Purchased machinery for Rs. 20,00,000 and on 30th September, 2012, another machinery worth Rs. 4,00,000 was purchased. On 30th June, 2013, one of the original machinery which was purchased on 1st April, 2011 and had costed Rs. 1,00,000 had become obsolete and was sold as scrap for Rs. 15,000. It was replaced on the same day by a new machinery costing Rs. 2,00,000. The company is employing WDV method of depreciation and the rate of depreciation is 20% p.a. The financial year of the company end on 31st March each year. You are required to prepare Machinery account for three years. **07**

- (b)** The following is the purchase and sale data of T Ltd. For the month of December 2013 :

Particulars	Date	No. of Units	Per Unit Price
Opening Stock	1/12/13	2,000	500
Purchase	3/12/13	12,000	600
Purchase	10/12/13	6,000	800
Purchase	24/12/13	8,000	900
Sales	8/12/13	8,000	--
Sales	15/12/13	10,000	--
Sales	30/12/13	4,000	--

The physical stock taking at the end of the month shows 6,000 units as closing stock. You are required to calculate the value of inventory on hand as on 31st December, 2013 using LIFO, FIFO and WAC methods.

OR

- (b)** Discuss the various determinants considered for valuation of Fixed Assets as given by 'A.S. – 10 – Accounting for Fixed Assets'. **07**

- Q.3 (a)** From the below given particulars, prepare Balance Sheet of K Ltd. As on 31st March, 2013. **07**

Particulars	Amt. (Rs.)	Particulars	Amt. (Rs.)
Plant and Machinery (at cost)	50,00,000	Investment at market value	18,50,000
Accrued expenses	22,500	12% Debentures	25,00,000
Creditors	4,60,000	Bills receivable	2,50,000
Stock at cost	14,00,000	Provision for bad debts	50,000
Share Capital (5,00,000 shares of Rs. 10 each)	50,00,000	Discount on issue of shares	1,50,000
Loose tools	2,00,000	Provision for depreciation on plant and mach.	5,75,000
Profit and Loss A/c	5,00,000	Provision for taxation	2,50,000
Bills payable	2,40,000	Debtors	15,00,000
Interest accrued on investments	47,500	Cash on hand	3,50,000
Interest accrued on debentures	1,50,000	General reserve	10,00,000

Additional Information :

- (1) Debtors include debtors of Rs. 5,00,000 which are outstanding for a period exceeding 6 months.
- (2) Investments consists of 1,00,000 shares of Rs. 10 each of ABC Ltd., acquired at a cost of Rs. 20,00,000.

- (b)** Elucidate the features of a corporate Balance Sheet. **07**

OR

Q.3 (a) Following are the Balance Sheets of M Ltd. and N Ltd. As on 31/3/11 : **07**

Particulars	M Ltd. (Rs.)	N Ltd. (Rs.)
<u>Assets :</u>		
Land and Building	16,00,000	24,00,000
Plant and Machinery	60,00,000	1,25,00,000
Investments	20,00,000	40,00,000
Stock	30,00,000	40,00,000
Debtors	20,00,000	24,00,000
Cash and Bank	14,00,000	27,00,000
	1,60,00,000	2,80,00,000
<u>Liabilities :</u>		
Equity share capital	40,00,000	60,00,000
12% Debentures	20,00,000	40,00,000
10% Preference share capital	40,00,000	50,00,000
Reserve and Surplus	20,00,000	24,00,000
Dividend provision	10,00,000	14,00,000
Creditors	30,00,000	82,00,000
Bank O.D.	--	10,00,000
	1,60,00,000	2,80,00,000

Compare the financial position of the two companies with the help of common – size balance sheet and comment.

(b) Give in details the pro-forma of Corporate Balance Sheet and Profit and Loss Account in vertical format. **07**

Q.4 (a) With the help of the below given data, draw a Balance Sheet : **07**

- Current ratio 2.5
- Quick ratio 1.5
- Net Working Capital Rs. 30,00,000
- Stock Turnover ratio (Cost of Sales / Cl. Stock) 6 times
- Gross Profit ratio 20%
- Fixed Assets Turnover ratio (Cost of Sales / F.A.) 2 times
- Debt collection period 2 months
- Fixed Assets to Shareholder's net worth 0.80
- Reserve and surplus to share capital 0.50
- Long term borrowings Rs. 15,00,000
- Quick assets comprises of Debtors and Bank

(b) Write a short note on IFRS. **07**

OR

- Q.4 (a)** From the following Balance Sheet, you are required to prepare (1) Fund Flow Statement and (2) Statement of changes in Working Capital. **07**

Balance Sheet					
Liabilities	2012 (Rs.)	2013 (Rs.)	Assets	2012 (Rs.)	2013 (Rs.)
Equity capital	10,00,000	10,00,000	Goodwill	1,20,000	1,20,000
General Reserve	1,40,000	1,80,000	Building	5,00,000	4,60,000
P and L A/c	1,60,000	1,30,000	Machinery	2,70,000	2,60,000
Bank O.D.	30,000	20,000	Investments	1,00,000	1,10,000
Creditors	50,000	34,000	Stock	2,00,000	1,34,000
Bills Payable	12,000	8,000	Bills Receivable	1,20,000	1,32,000
Provision for tax	1,00,000	1,10,000	Debtors	1,80,000	1,90,000
Provision for doubtful debt	4,000	6,000	Bank	66,000	1,52,000
Proposed dividend	60,000	70,000			
	15,56,000	15,58,000		15,56,000	15,58,000

Additional Information :

- (1) Depreciation charged on Machinery Rs. 40,000 and on Building Rs. 40,000.
- (2) Provision for taxation of Rs. 1,90,000 was made during the year 2013.
- (3) Interim dividend of Rs. 80,000 was paid during the year 2013.

- (b)** What are the ratios to be worked out to study the long term solvency of a concern ? **07**

- Q.5 (a)** From the below given Balance Sheet and additional information (1) Calculate the indicated ratio's for A Ltd. (2) Comment on the company's strength and weakness as shown by your analysis. **07**

Balance Sheet			
Liabilities	Rs.	Assets	Rs.
Equity share capital	1,20,00,000	Net Fixed Assets	60,50,000
10% Debentures	23,00,000	Cash	22,00,000
Creditors	16,50,000	Debtors	27,50,000
Bills Payable	22,00,000	Stock	82,50,000
Other Current Liabilities	11,00,000		
	1,92,50,000		1,92,50,000

Additional information :

- (1) Sales for the year is Rs. 2,75,00,000
- (2) Net Profit for the year is Rs. 7,50,750.

Ratio	Industry	Co.
C.A. / C. L.	2.4	?
Sales / Debtors	8.0	?
Sales / Stock	9.8	?
Sales / Total Assets	2.0	?
N.P. / Sales	3.3%	?
N.P./Total Assets	6.6%	?
N.P./Equity Share Capital	12.7%	?
Total Debt / Total Assets	63.5%	?

- (b)** Discuss in brief the LIFO, FIFO and WAC methods of inventory valuation. Revised A.S. – 2 recognized which methods of inventory valuation ? **07**

OR

- Q.5 (a)** Discuss the various components of a financial statement. **07**
(b) Describe the various tools used for doing financial analysis. **07**
