

# CBCS Scheme

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16MBA13

## First Semester MBA Degree Examination, June/July 2017 Accounting for Managers

Time: 3 hrs.

Max. Marks:80

**Note:** 1. Answer any **THREE** questions from Q.No.1 to Q.No.7.  
2. Question No. 8 is compulsory.

- 1
- a. What is a Trial Balance? (02 Marks)
  - b. Distinguish a Journal from a ledger. (06 Marks)
  - c. i) Mr. Dilesh started business by introducing the following assets cash - ₹ 10000 ; Furniture - ₹ 20000 ; Plant - ₹ 30000 ; Goods – 20000.  
ii) He purchased goods of the invoice value of ₹ 10,000 at 10% trade discount from Suresh.  
iii) He supplied goods costing ₹ 1000 to Ramesh at a invoice price of 10% above cost at a trade discount of 5%.  
iv) He installed further machinery of ₹ 20000 and paid wages for installation ₹ 2000. The machinery was supplied by M/S Surya Bro.  
v) He purchased stationary for business purpose ₹ 500.  
vi) He sold goods to Sidharth for ₹ 5000.  
vii) He withdrew goods for personal used costing ₹ 5000 (sale value ₹ 6000)  
viii) He distributed goods costing ₹ 2000 (sale value ₹ 2500 as free samples).  
ix) Sidharth became insolvent and the whole money due from him was considered as a bad debt.  
x) He sold goods for cash ₹ 20000.  
xi) Salaries paid ₹ 10000 after deduction of ₹ 1000 as income tax, ₹ 1500 as employees share of provident fund but before employer's share of provident fund ₹ 1500.  
xii) Amount due from Sidharth earlier written off bad debts recovered in full.  
xiii) Amount paid to Suresh ₹ 8500 in full satisfaction.  
xiv) Income tax liability of Ram ₹ 1000 paid in cash.  
You are required to pass necessary Journal entries for the above transactions. (08 Marks)

- 2
- a. What is Purchase Book? Explain purchase book with imaginary transaction. (02 Marks)
  - b. Journalize the following transaction in the books of M/s Ravanth Industries Ltd. (06 Marks)

January 2014, 02	Started business with ₹ 1,00,000/- and paid into Bank ₹ 50,000/-
04	Bought furniture for cash ₹ 6,000/-
06	Sold goods to Mr. Suresh for ₹ 5,000/-
08	Purchase goods for ₹ 6,000/-
14	Charged depreciation on machinery ₹ 1,000/-
20	Withdrew from Bank ₹ 3,000/- for Private use
25	Paid Rent, Salaries, Postage ₹ 5,000/- ; ₹ 6000 and ₹ 150 respectively

- c. Record the following transactions in three column Cash book of M/s Janani Industries Ltd. For the month of March 2015. (08 Marks)

March 2015, 01	Balance of cash ₹ 2000/- and Bank ₹ 5000/-
03	Received cash ₹ 500/- and cheque ₹ 400/- for cash sales and deposited the cheque into Bank.
06	Paid by cheque for purchase ₹ 100/-
09	Paid Mr. Gopal by cash ₹ 680/- and he allowed discount ₹ 20/-

12	Received cash from Mr. Raghu ₹ 600/- in full settlement of his account of ₹ 630/-
14	With draw from bank for personal use ₹ 500/-
20	M/s Sham and Co. paid direct in to Bank A/c of M/s Janani Industries Ltd ₹ 7000/-.
23	Cash withdrawn from Bank for office use ₹ 1000/-
27	Discounted a bill at 1% through Bank ₹ 4,000/-
31	Paid staff salaries by cash ₹ 1000/-

- 3 a. What is Common size statement? (02 Marks)  
 b. Explain in brief various uses & limitations of Ratio. (06 Marks)  
 c. Assume that a firm owner's equity is ₹1 crore and the ratios of the firm are as follows :

Short term debt to total debt	= 0.40
Total debt to owners equity	= .60
Fixed assets to owners equity	= .60
Total assets turnover	= 2 times
Inventory turnover	= 8 times

From the above information complete the following balance sheet (08 Marks)

Liabilities	₹	Assets	₹
Owners Equity	-	Fixed Assets	-
Long term debt	-	Inventory	-
Short term debt	-	Cash	-
Total	-	Total	-

- 4 a. List out the areas covered by Forensic Accounting. (02 Marks)  
 b. A firm purchases a leasehold property for a period of five years for ₹ 10,000/- on 1.1.2007. It decides to write off the lease by Annuity method presuming the rate of interest at 5% p.a. The Annuity table shows that the annual amount necessary to write off ₹ 1 at 5% p.a. is ₹ 0.230976. You are required to prepare the Lease Hold Property Account for five years and show the net amount to be charged to the profit & loss account for these five years. (06 Marks)  
 c. The following are summarized balance sheet of a company as on December 2006 and 2007.

Liability	2006 (₹)	2007 (₹)	Assets	2006 (₹)	2007 (₹)
Share capital	2,00,000	2,50,000	Land & Building	2,00,000	1,90,000
General reserve	50,000	60,000	Machinery	1,50,000	1,69,000
Profit & loss	30,500	30,600	Stock	1,00,000	74,000
Bank loan (long term)	70,000	-	Sundry Debtors	80,000	64,200
Sundry creditors	1,50,000	1,35,200	Cash	500	600
Provision for Taxation	30,000	35,000	Bank	-	8000
			Goodwill	-	5000
	5,30,500	5,10,800		5,30,500	5,10,800

Additional Information : During the year ended 31<sup>st</sup> December 2007.

- Dividend of ₹ 23,000 was paid.
  - Assets of another company were purchased for a consideration of ₹ 50,000 payable in shares. Following Assets were purchased : Stock ₹ 20,000 ; Machinery ₹ 25,000/-.
  - Machinery was further purchased for ₹ 8,000/-
  - Depreciation written off on machinery ₹ 12,000/-
  - Income tax provided during the year ₹ 33,000/-
  - Loss on sale of machinery ₹ 200 was written off to general reserve.
- You are required to prepare a cash flow statement. (08 Marks)

- 5 a. Distinguish between trade discount and cash discount. (02 Marks)

- b. On January 2015, a company B.K construction Ltd was incorporated. The following transaction occurred during January 2015. (06 Marks)

January

1. Business was started with capital of ₹ 10,000 cash.
4. Equipment was rented (and paid) for the month at a cost of ₹ 1,200/-
- 8 Paper stationary purchased on credit ₹ 800/-
- 15 The company charged ₹ 3000/- as consulting fee from the customers during January. This amount is due to be received next month.
- 20 Miscellaneous expensed of ₹ 600/- were paid.
- 29 Land was purchased by borrowing ₹ 40,000/- from a bank. The loan is due to be repaid in five years. Interest payments are due at the end of each month beginning July 31.
- 30 Salaries of ₹ 700/- for the next month were paid.
- 31 Lesson fee were billed to customers in the amount of ₹ 2800/-. [They are due to be received next month].

Prepare a summary of the preceding transactions. Determine balance after each transaction to show that the basic equations are in balance. Prepare an balance sheet for January 2015.

- c. The capital of Zink & Co. Ltd is as follows :

9 % Preference shares of ₹ 10 each	3,00,000/-
Equity shares of ₹ 10 each	<u>8,00,000/-</u>
	<u>11,00,000/-</u>

The accountant has ascertained the following information :

Profit (after tax at 60%) ₹ 2,70,000 ; Depreciation ₹ 60,000/- ; Equity dividend paid 20% Market price of equity shares ₹ 40/-. You are required to state the following showing necessary workings : i) Dividend yield on the equity shares ii) Cover for the preference & equity dividends iii) Earnings for equity shares iv) Price earnings ratio. (08 Marks)

- 6 a. What is IFRS? (02 Marks)
- b. Record the following transaction in Cash book : (06 Marks)

- 2015 Feb. 1. Commenced business with cash ₹ 10,000/-
- 6 Received a cheque for ₹ 5,000/-
  - 7 Issued a cheque for ₹ 500 for furniture purchased
  - 8 Purchased goods for ₹ 3000 & paid by cheque.
  - 8 Received a cheque for ₹ 490 in full settlement of ₹ 500 on accounts.
  - 10 Paid into bank ₹ 5000/- from Ramesh.
  - 15 Paid wages ₹ 200/-
  - 18 Drew a cheque for personal use ₹ 400/-
  - 25 Drew from bank for office use ₹ 250/-
  - 27 Paid electricity charges ₹ 15/-
  - 28 Paid salary by cheque ₹ 500/-

- c. What is Human Resources Accounting? Explain various methods of valuation of HR. (08 Marks)

- 7 a. State the Income tax rate for an individual as per the recent financial budget. (02 Marks)
- b. Following are the Balance sheet of Mr. Rajashekhar. The Balance sheet values are given in '₹' lakhs. Balance Sheet (Amount ₹ in lakhs) (06 Marks)

Liabilities	2015	2014	Assets	2015	2014
Equity capital	400	400	Land	100	100
Reserve	245	200	Building	270	300
6% preference shares	300	300	Plant	270	300
6% Debentures	150	100	Furniture	140	100
Tax payable	150	100	Stock	300	200
Sundry creditors	200	150	Debtors	300	200
Bills payable	75	50	Cash	140	100
<b>Total</b>	<b>1520</b>	<b>1300</b>	<b>Total</b>	<b>1520</b>	<b>1300</b>

Prepare a comparative balance sheet and comment on the financial position of the firm.

- c. Enter the following transactions in the appropriate type of the cash book and post the same to the relevant ledger accounts. (08 Marks)

2015 July 01	Started business with an Investment of ₹ 9000/-
02	Deposited in Bank of India ₹ 7,000/-
04	Acquired a building by issuing a cheque of ₹ 5,000/-
10	Paid the bill of the furniture by cheque of ₹ 1,000/-
15	Purchased ₹ 800/- of merchandise by cheque.
18	Withdrew ₹ 100/- from Bank.
20	Sold merchandise for ₹ 1,200/-
22	Deposited ₹ 2,000/- in to Bank.
25	Bought ₹ 1,000/- merchandise.
26	Sold ₹ 1,500/- merchandise by crossed cheque.
27	Paid ₹ 100/- by cheque as the premium for ensuring building against fire.
28	Paid freight ₹ 50.
30	Withdrew from bank for personal use ₹ 500/-.
31	Cleared electricity bill ₹ 90/-.
31	Paid to Mahesh ₹ 1,080 in full satisfaction by cheque. We owned to Mahesh ₹ 1,100/- for goods purchased.
31	Received from Suresh a cheque for ₹ 1,480 in full satisfaction of the debt of ₹ 1,510/-.

### 8 CASE STUDY (Compulsory) :

The following is the Trial balance of M/s Tisheel as on 31/03/14. Prepare Trading & Profit & Loss account for the year ending on 31/03/2014 and a Balance sheet as on that date.

Srl.No.	Name of the Account	Dr. Bal (₹)	Cr. Bal (₹)
1	Capital A/c	-	1,00,000
2	Drawings A/c	18,000	-
3	Building A/c	15,000	-
4	Furniture & Fittings A/c	7,500	-
5	Motor van A/c	25,000	-
6	Loan from Hari A/c	-	15,000
7	Interest paid on loan taken from Hari	900	-
8	Sales A/c	-	1,00,000
9	Purchases A/c	75,000	-
10	Opening stock	25,000	-
11	Establishment Expenses	15,000	-
12	Wages	2,000	-
13	Insurance	1,000	-
14	Commission received	-	4,500
15	Sundry debtors	28,100	-
16	Sundry creditors	-	10,000
17	Interest	-	3,000
	Total	2,32,500	2,32,500

Adjustments are as follows :

(16 Marks)

- i) The value of stock on 31/03/14 was ₹ 32,000/- ii) Outstanding wages ₹ 500/-.  
 iii) Prepaid Insurance ₹ 300/- iv) Commission received in advance ₹ 1,300/-.  
 v) Allow interest on capital at 10%.  
 vi) Depreciation on Building 5% ; Furniture and fittings 10% and Motor Van 10%.  
 vii) Charge interest on drawings ₹ 500/- viii) Accrued interest ₹ 500/-.

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