

CBCS SCHEME

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Learning Resource Center
Acharya Institute & Technology

First Semester MBA Degree Examination, Feb./Mar. 2022 Accounting for Managers

Time: 3 hrs.

Max. Marks: 80

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

- 1 a. Define Financial Accounting. (02 Marks)
b. Briefly explain the conventions of accounting. (06 Marks)
c. Arnab had the following transactions :
Use accounting equation to show their effect on his assets, liabilities and capital.
- (i) Started business with Rs.15000.
(ii) Purchased securities for cash Rs.7500.
(iii) Purchased a building for Rs.15000 giving Rs.5000 in cash and the balance through a loan.
(iv) Sold securities costing Rs.1000 for Rs.1500.
(v) Purchased an old car for Rs.2800 cash.
(vi) Received cash Rs.3600 as salary.
(vii) Paid cash Rs.500 for loan and Rs.300 for interest.
(viii) Paid cash for household expenses Rs.300.
(ix) Received cash for dividend on securities Rs.200. (08 Marks)
- 2 a. What is the accounting treatment of trade discount? (02 Marks)
b. Explain straight line method of depreciation. What are the advantages of it? (06 Marks)
c. What are subsidiary books? What are the types of subsidiary books? (08 Marks)
- 3 a. Two months salary of Rs.50,000 which is due but not paid. Mention the two fold effect of the above in accounting. (02 Marks)
b. Enter the following transactions in the Journal of Arvind for the month of October 2016 :

Date	Particular	Rs.
October - 1	Arvind Commenced business with a capital of	1,00,000
October - 1	Bought machinery	30,000
October - 2	Purchased goods from Ram for cash	5,000
October - 3	Sold goods for cash to Ramesh	4,000
October - 4	Purchased goods from Anil on Credit	2,200
October - 5	Cash sales to Hari	12,000
October - 6	Bought office furniture for cash from modern furnishers	5,000
October - 7	Paid Cartage to Golden Co.	170
October - 10	Received interest from Mohan	2000
October - 15	Deposited cash into Bank	1500

(06 Marks)

- c. From the following transactions of M/S R. Krishnan, write up his cash book in three column form, (08 Marks)

Date	Particular	Rs.
September 1	Balance at Bank	1500
September 2	Draw from bank for office use	500
September 3	Bought office furniture for cash	320
September 8	Paid wages in cash	150
September 14	Draw from bank for office use	250
September 16	Sold goods for cash	220
September 19	Received a cheque from Motilal and Co. in settlement of their account of Rs.750 less 5% discount and paid the same direct into the bank.	
September 23	Bought goods for cash	450
September 25	Drew cheque for self	400
September 31	Paid Agarwal's A/C Rs.400 by cheque less 2 1/2 percent.	

- 4 a. What is grouping and marshelling of assets and liabilities? (02 Marks)
 b. The following Trial Balance has been prepared wrongly. You are asked to prepare the Trial Balance correctly. (06 Marks)

Particulars	Debit (Rs.)	Credit (Rs.)
Capital		15,560
Sales		27,560
Sales return		980
Drawings	5,640	
Sundry Debtors		5,300
Freehold premises	7,410	
Purchases	12,680	
Return outwards	2,640	
Loan from Sharat		2500
Sundry creditors	5,280	
Administration expenses	7,840	
Cash in hand	1,420	
Bills payable	1,000	
Wages	5,980	
Opening stock		2,640
Factory Expenses	4,650	
	54,540	54,540

- c. Prepare Trading and profit and loss A/C from the following balances relating to the year ending 31st March 2016.

Capital	10000	Wages	5000
Creditors	1200	Bank	1000
Returns outwards	500	Repairs and Maintenance	50
Sales	16400	Stock	2000
Bills payable	500	Rent	400
Plant and machinery	4000	Manufacturing expenses	800
Sundry debtors	2400	Trade expenses	700
Drawings	1000	Bad debts	200
Purchases	10500	Carriage	150
Return inwards	300	Fuel and Power	100

- Adjustments : (i) Closing stock was valued at Rs.1450.
 (ii) Depreciate plant and machinery by Rs.400.
 (iii) Allow 5% interest on capital.
 (iv) A sum of Rs.40 is due for repairs.

(08 Marks)

- 5 a. What is meant by liquidity ratio? (02 Marks)
 b. The following is the position of current assets and current liabilities of ABC Ltd.

Particular	Opening	Closing
Provision for bad debts	1000	-
Short term loans	10000	19000
Creditors	15000	10000
Bills receivable	20000	40000

The company incurred a loss of Rs.45000 during the year. Calculate cash flows from operating activities. (06 Marks)

- c. From the following information, prepare a summarized balance sheet as on March 31, 2016:

Particulars	Rs.
a) Working capital	1,20,000
b) Reserves & Surplus	80,000
c) Bank overdraft	20,000
d) Proprietary ratio (Fixed Assets : Proprietor's fund) =	0.75
e) Current ratio =	2.5
f) Liquid (or quick) ratio =	1.5

There is no long-term loans nor any fictitious assets. (08 Marks)

- 6 a. What is sustainability reporting? (02 Marks)
 b. Briefly explain the need for IFRS. (06 Marks)
 c. Briefly explain different methods of Human Resource Accounting. (08 Marks)
- 7 a. What is the purpose of charging income tax? (02 Marks)
 b. Briefly explain the heads of income. (06 Marks)
 c. What are the deductions under section 80C of Income Tax Act? (08 Marks)

- 8 From the following trial balance of Kumar, prepare Trading and Profit and Loss account for the year ended 31st March, 2016 and Balance sheet as on that date:

Particulars	Dr. (Rs.)	Cr. (Rs.)
Capital	-	60,000
Drawing	10,000	
Furniture	5,200	
Bank Overdraft		8,400
Taxes and Insurance	4,000	
Creditors		27,600
Buildings	40,000	
Stock on 1 st April 2015	44,000	
Debtors	36,000	
Rents		2,000
Purchases	2,20,000	
Sales		3,00,000
Sales returns	4,000	
General Expenses	8,000	
Salaries	18,000	
Commissions	4,400	
Carriage on purchases	3,600	
Bad debts	1,600	
Discounts	3,200	4,000
	4,02,000	4,02,000

Adjustments:

- a) Stock on 31st March, 2016, Rs.40,120, but there has been a loss of stock by fire on 25th March 2016 to the extent of Rs.10,000 not covered by insurance.
- b) Depreciation on buildings Rs.2,000 and on furniture Rs.500 is to be provided for.
- c) A provision for doubtful debts at 5% on debtors is required.
- d) Unexpired insurance amounted to Rs.400.
- e) Interest on capital at 5% per annum is to be provided.

(16 Marks)

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