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First Semester MBA Degree Examination, June/July 2015
Accounting for Management

Time: 3 hrs.

Max. Marks: 100

Note: 1. Answer any THREE full questions from Q.No.1 to 6.
2. Q.No7 and 8 are compulsory.

- 1**
- Define accounting. (03 Marks)
 - Who are the users of accounting information? (07 Marks)
 - Give accounting equation for the following transaction of Mr. X for the year 2014:
 - Started business with cash Rs.50000.
 - Purchased furniture for cash Rs.2000.
 - Borrowed from his friend for business Rs.5000.
 - Purchased land for Rs.20,000.
 - Paid back to his friend Rs.4000.
 - Took a loan from bank Rs.30,000.
 - Paid for postage expenses Rs.300.
 - Withdrawn for personal use Rs.5000.
 - Purchased goods from Ramesh 10,000.
 - Sold goods to Mr. A Rs.2000. (10 Marks)
- 2**
- What is contra entry? (03 Marks)
 - State all the accounting concept and conventions. (07 Marks)
 - Enter the following transactions of M/S choudhary into a triple column cash book as on March 31, 2014.

| | | |
|-------|-----|---|
| March | 1. | Balance at bank Rs.1500 |
| | 2. | Draw from bank for office use Rs.500 |
| | 3. | Brought office furniture for cash Rs.320 |
| | 4. | Paid wages Rs.150 |
| | 14. | Draw from bank for office use Rs.250 |
| | 16. | Sold goods for cash Rs.220 |
| | 19. | Received a cheque from Batiwala and co. in settlement of their account of Rs.750, allowed 5% discount |
| | 20. | Bought goods for cash Rs.450 |
| | 25. | Draw cheque for self Rs.400 |
| | 31. | Paid Agarwal's a/c Rs.400 by cheque left 2½ %. |

 (10 Marks)
- 3**
- Give the heads of income for an individual assessor for calculating his total income. (03 Marks)
 - M/s. A and Co. commenced the business as 1/1/2014 with the following balances cash in hand Rs.900/-, cash at bank Rs.21000/-, Soni (cr) Rs.3000/-, Zahir (dr) Rs.2400, Stock Rs.12000/-, Prasad (cr) Rs.6000/-, Sharma (dr) Rs.4500/-, Call (cr) Rs.2700/-.
 Jan.2: Bought goods from Prasad Rs.2700/-
 Jan.3: Sold to Sharma Rs.3000/-
 Jan.5: Paid to call by cheque Rs.3600/-
 Jan.6: Withdraw cash for personal use Rs.200/-
 Jan.7: Received from Zahir in full settlement Rs.2350/-
 Journalize the above transactions in the books of A and Co. (07 Marks)
 - What is window dressing? How is financial statement window dressed? (10 Marks)

- 4 a. What do you mean by HR accounting? (03 Marks)
 b. List out the deductions available under sec 80C according to IT act of 1956. (07 Marks)
 c. Following are the given balance sheet on 31 March, 2007 and 2008 of Delhi metal works company, you are required to prepare comparative balance sheet. (10 Marks)

Balance Sheet

| Liabilities | 2007 | 2008 | Assets | 2007 | 2008 |
|----------------------------|------|------|-----------------------|------|------|
| Equity share capital | 1600 | 2400 | <u>Current Assets</u> | | |
| Capital reserve | 240 | 440 | Debtors | 836 | 760 |
| General reserve | 888 | 836 | Cash | 472 | 40 |
| Sinking fund | 160 | 200 | Stock | 640 | 520 |
| Debentures | 800 | 1300 | Others | 128 | 52 |
| <u>Current liabilities</u> | | | Investments | 1080 | 680 |
| Sundry creditors | 1020 | 468 | <u>Fixed assets</u> | | |
| Others | 28 | 40 | Furniture | 36 | 72 |
| | | | Building | 1240 | 3144 |
| | | | Land | 80 | 120 |
| | | | Other assets | 224 | 296 |
| | 4736 | 5684 | | 4736 | 5684 |

- 5 a. What is a qualified audit report? State its contents. (05 Marks)
 b. Following on the comparative balance sheet of Surjeet Ltd. for the year ending Dec.31, 2013 and Dec.31, 2014. Prepare cash flow statement as per AS-3.

Comparative Balance Sheet

| Liabilities | As on Dec. 31, 2013 | As on Dec. 31, 2014 | Assets | As on Dec. 31, 2013 | As on Dec. 31, 2014 |
|----------------------------|---------------------|---------------------|-----------------------------------|---------------------|---------------------|
| Share capital | 2,00,000 | 3,00,000 | Land and building | 2,00,000 | 2,00,000 |
| Reserves | 50,000 | 50,000 | Machinery | 1,00,000 | 1,00,000 |
| P and L a/c | 35,00 | 35,000 | Good will | - | 20,000 |
| Bank loan | 60,000 | - | Current assets (other than stock) | 1,52,500 | 1,70,000 |
| <u>Current liabilities</u> | 75000 | 75000 | Cash | 7500 | 10,000 |
| Provision for taxation | 40,000 | 50,000 | | | |
| | 460000 | 510000 | | 460000 | 510000 |

Additional information:

- During the year 2014, the company paid tax of Rs.25000.
 - A dividend of Rs.25000 was paid during the year 2014.
 - Profit before tax for the year is Rs.60,000.
 - During the year the company purchased a machinery for Rs.5000.
 - It also acquired another company (Stock Rs.20,000, machinery Rs.20,000 and paid Rs.6000 in share capital for the acquisition). (15 Marks)
- 6 a. Define IFRS. (03 Marks)
 b. What are the importance or significance of cash flow statement? (07 Marks)

- c. Following is the abridged balance sheet of consolidated Co. Ltd. as on 31st March 2014. You are required to fill the gap using ratios.

Balance Sheet

| Liabilities | Rs. | Assets | Rs. |
|----------------------|-------|--------------|-------|
| Creditors | ----- | Cash | ----- |
| Long-term debt | ----- | Debtors | ----- |
| Share holders equity | ----- | Fixed assets | ----- |
| | ----- | | ----- |

Gross profit (20% of sales – Rs.60,000)

Share holders equity RS.50,000

Credit sales to sales – 80%

Total assets turnover – 3 times

Inventory turn over (to cost of sales) – 3 times

Average collection period (360 days a year) – 18 days

Current ratio – 1.6

Long term debt to equity – 40%.

(10 Marks)

- 7 a. External auditing of financial statements, is it necessary? Substantiate it. (05 Marks)
- b. "All accounting transactions are business transactions, but all business transactions are not accounting transactions, substantiate your answer. (05 Marks)
- c. Is IFRS necessary in the current scenario? (05 Marks)
- d. "Goods withdraw for production purpose worth Rs.2000". Journalize the above transaction and say it is a accounting transaction and business transaction. (05 Marks)

- 8 The following balances were extracted from the books of Sri. Janardhan, a trader as on 31-3-2004:

| | Dr (Rs.) | Cr (Rs.) |
|---------------------------------|----------|----------|
| Capital of Sri. Janardhan | - | 19,400 |
| Purchases and sales | 41,400 | 55,140 |
| Trade debtors and creditors | 7250 | 3860 |
| Stock on 1 – 4 – 2003 | 4120 | - |
| Purchases return | - | 100 |
| Sales return | 120 | - |
| Balance at bank | 3920 | - |
| Drawings | 4620 | - |
| Motor van expense | 510 | - |
| Motor van | 6250 | - |
| Rent and rates | 750 | - |
| Salaries | 8120 | - |
| Reserves for doubt full debt. | - | 250 |
| Bad debts | 230 | - |
| General expenses | 1120 | - |
| D is count allowed and received | 1050 | 930 |
| Insurance | 240 | - |
| | 79680 | 79680 |

The following are the adjustments to be made:

- Salaries and rent accrue but not paid Rs.820 and Rs.150 respectively.
- Insurance paid in advance Rs.40.maintain the reserve for doubt fill debt at Rs.300.
- Depreciation on motor van to be made at 10%.
- The stock in trade on 31 March 2004 was valued at Rs.5040.

You are required to prepare trading account, profit and loss account for the year ending 31st March 2004 and Balance Sheet as on data. (20 Marks)

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