

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA – SEMESTER 01– • EXAMINATION – SUMMER 2016****Subject Code: 2810001****Date: 11/05/2016****Subject Name: Accounting For Managers (AFM)****Time: 10:30 am – 01:30 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 four alternative answers given against each of the following cases, indicate the correct answer:(just state A, B, C or D) **06**

A company had Current Assets of Rs. 4, 00,000 and Current Liabilities of Rs. 1, 00,000. Afterwards it purchased goods for Rs. 50,000 on credit. Calculate the Current Ratio after the purchase.

- |    |        |        |
|----|--------|--------|
| 1. | A. 1:3 | B. 3:1 |
|    | C. 4:1 | D. 1:4 |

Goods drawn by the proprietor from the business for personal use.....

- |    |                                            |                                             |
|----|--------------------------------------------|---------------------------------------------|
| 2. | A. Increases capital and decreases assets. | B. Increases assets and decreases expenses. |
|    | C. Decreases capital and decreases assets. | D. Increases capital and increases assets.  |

Outstanding expenses are related to.....

- |    |                                     |                                 |
|----|-------------------------------------|---------------------------------|
| 3. | A. Nominal account.                 | B. Personal account.            |
|    | C. Representative personal account. | D. Artificial personal account. |

Profit or loss on depreciation fund investment is transferred to:

- |    |                           |               |
|----|---------------------------|---------------|
| 4. | A. Depreciation Fund A/c. | B. Asset A/c. |
|    | C. Profit or Loss A/c.    | D. Bank A/c.  |

In case of Annuity Method, the amount of depreciation is:

- |    |                           |                            |
|----|---------------------------|----------------------------|
| 5. | A. Increasing every year. | B. Fixed for all the year. |
|    | C. Decreasing every year. | D. None of these.          |

Compound journal entry contains.....

- |    |                                                                     |                                     |
|----|---------------------------------------------------------------------|-------------------------------------|
| 6. | A. More than one debit entry only.                                  | B. More than one credit entry only. |
|    | C. More than one debit entry or more than one credit entry or both. | D. None of these.                   |

**Q.1 (b)** Define the following terms: **04**

- (i) Accounting Standards.
- (ii) IFRS.
- (iii) Provisions.
- (iv) GAAP.

**Q.1 (c)** What do you mean by 'Fund Flow Statement'? Discuss the importance of Fund Flow Statement. **04**

**Q.2 (a)** Who are the users of accounting information, and why do the users need accounting information? How this information helpful to the users? **07**

- (b) On the basis of following informations, calculate the following ratios: **07**
- Net Profit Ratio
  - Debt Equity Ratio
  - Quick Ratio

Particulars	Amount (in Rs.)
Paid up Capital	20,00,000
Capital Reserve	2,00,000
9 % Debentures	8,00,000
Net Sales	14,00,000
Gross Profit	8,00,000
Indirect Expenses	2,00,000
Current Assets	4,00,000
Current Liabilities	3,00,000
Opening Stock	50,000
Closing Stock is 20 % more than Opening Stock.	

**OR**

- (b) What is Balance Sheet? Show the format of Balance Sheet in vertical form under revised schedule VI of Companies Act, 1956 with imaginary figures. **07**

- Q.3** (a) What do you mean by the term 'depreciation'? What are its causes? Why do firms provide depreciation? **07**
- (b) Rohan purchases a plant on 01.04.2007 for a sum of Rs. 2, 00,000 having a useful life of five years. It is estimated that the plant will have a scrap value of Rs. 32,000 at the end of its useful life. Rohan decides to charge depreciation according to depreciation fund method. The depreciation fund investments are expected to earn interest @ 5 % p.a. Sinking fund table shows that Re. 0.180975 if invested yearly at 5 % p.a. produces Re. 1 at the end of five years. The investments are sold at the end of fifth year for a sum of Rs. 1, 30,000 and the scrap realized Rs. 34,000. **07**

You are required to prepare the necessary accounts in the books of Rohan.

**OR**

- Q.3** (a) What do you understand by Trend Analysis? Explain in brief with hypothetical example. **07**
- (b) From the following Balance Sheet of Shivam Ltd. on 31<sup>st</sup> December 2012 and 2013, you are required to prepare: **07**
- Statement of Changes in Working Capital; and
  - Funds Flow Statement.

choice

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Liabilities	31.12.13	31.12.12	Assets	31.12.13	31.12.12
Share Capital	4,50,000	4,50,000	Plant and Machinery	3,20,000	4,00,000
General Reserve	3,10,000	3,00,000	Investments	60,000	50,000
P & L A/c	35,000	30,000	Closing Stock	1,95,000	2,00,000
Capital Reserve	33,000	26,000	Bills Receivable	15,000	40,000
Debentures	2,70,000	-	Sundry Debtors	4,55,000	2,00,000
Creditors	75,000	90,000	Cash at Bank	1,97,000	1,59,000
Bills Payable	59,000	78,000			
Provision for Taxation	10,000	75,000			
	12,42,000	10,49,000		12,42,000	10,49,000

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Other details are as follows:

- (1) During the year investments worth Rs. 8,000 were sold at a price of Rs. 8,500 and new investments worth Rs. 18,000 were purchased.
- (2) Net profit of the year was Rs. 62,000 after providing for depreciation of Rs. 70,000 on Plant and Machinery and Rs. 10,000 provision for taxation.
- (3) During the year Plant and Machinery worth Rs. 10,000 were sold at a price of Rs. 12,000 and the profit on the same was credited to Profit and Loss Account.
- (4) During the year Rs. 40,000 were paid as Dividend.

- Q.4** (a) What are the various accounting concepts? Explain any four of them. **07**
- (b) From the following Income Statement of Malhotra Trading Company for the year ending 31<sup>st</sup> March, 2012 and 2013, you are required to prepare a Comparative Income Statement and give your comments: **07**

Particulars	31.03.2012 Rs.	31.03.2013 Rs.
Revenue From Operations	6,00,000	7,20,000
Add: Dividend Received	30,000	90,000
Total Revenue	6,30,000	8,10,000
Less: Cost of Goods Sold	4,20,000	5,60,000
Administration Expenses	50,000	66,000
Selling and Dist. Expenses	25,000	23,000
Interest on Debentures	12,000	12,000
Loss on Sale of Plant	6,000	4,000
Provision for Taxation	40,000	48,000
Net Profit	77,000	97,000

OR

- Q.4** (a) Name AS- 9, AS-10 and AS-26. Explain any one in detail. **07**  
 (b) From the following information, you are required to calculate the value of Closing Inventory and Cost of Goods Sold assuming (a) Perpetual Inventory System and (b) Periodic Inventory System under FIFO method. **07**

Date	Transactions	Units	Price Per Unit (Rs.)
02/01/2013	Opening balance brought forward	100	10
09/01/2013	Purchases	400	15
14/01/2013	Sales	300	-
25/01/2013	Purchases	500	20
29/01/2013	Sales	400	-

- Q.5** Mr. Tushar decided to start a computer business. For this purpose he built the first floor of his house at a cost of Rs. 2, 00,000 and invested a further sum of Rs. 3, 50,000 in this business. **14**

He wanted to start with 12 computers costing Rs. 40,000 each. He approached ICICI Bank and secured a loan to the extent of 75 % of the cost of computers. It was agreed that the loan will be repaid in four annual instalments are as follows:

At the end of First Year : Rs. 90,000 + Rs. 36,000 for interest  
 At the end of Second Year : Rs. 90,000 + Rs. 27,000 for interest  
 At the end of Third Year : Rs. 90,000 + Rs. 18,000 for interest  
 At the end of Fourth Year : Rs. 90,000 + Rs. 9,000 for interest

He started business on 1<sup>st</sup> April, 2002. On the same date he deposited Rs. 3, 30,000 in the Bank. He purchased Computers and paid 25 % of the value of computers from his bank and Rs. 3, 60, 000 out of bank loan availed. He deposited Rs. 10,000 for the electric connection with the Electricity Board and also deposited Rs. 1, 50,000 with the VSNL for internet and telephone connection.

He spent Rs. 40,000 for getting the Computer Café furnished and also spent Rs. 6,000 in getting the pamphlets printed and distributed.

All payments were to be made by cheques and all the receipts were to be deposited in the bank on the same day.

At the end of the year, the results were:

Particulars www.FirstRanker.com	Amount (in Rs.) www.FirstRanker.com
Purchases of Computer stationery like DVDs, CDs etc.	92,000
Revenue from fees received from students of Computer classes	2,70,000
Revenue on Account of Internet Facility	2,20,000
Revenue from sale of Computer Stationery	1,60,000
Wages paid to servant	12,000
Electricity Charges	48,000
Telephone Charges	73,000
Entertainment Expenses	7,000
General Expenses	5,200

He withdrew Rs. 5,000 by cheque each month for his personal expenses and duly paid the bank loan.

You are required to pass the necessary journal entries in the books of Mr. Tushar.

**OR**

**Q.5**

From the following figures extracted from the books of Mr. Rohit, you are required to prepare a Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2014 and a Balance Sheet as on that date after making the necessary adjustments:

**14**

Particulars	Amount (in Rs.)
Drawings	6,000
Sundry Debtors	38,200
Purchases	1,34,916
Return Inward	15,642
Bills Receivable	13,764
5 % Loan on Mortgage (01.04.2013)	17,000
Interest on Loan	400
Cash in Hand	6,100
Stock (01.04.2013)	11,678
Capital	60,000
Sundry Creditors	16,802
Sales	2,22,486
Bills Payable	5,428
Motor Vehicle	18,000

Cash at Bank	www.FirstRanker.com	www.FirstRanker.com	9,110
Land and Buildings			24,000
Bad Debts (Debit)			1,250
Carriage Outward			2,808
Provision for Bad Debts (Credit)			1,420
Return Outward			2,692
Discount Received			880
Carriage Inward			7,858
Establishment Expenses			16,194
Rent, Taxes and Insurance			7,782
Advertisement			4,528
General Expenses			8,978
Rent Received			500

**Adjustments:**

- (i) Depreciate land and building @ 5 % p.a. and motor vehicle @ 15 % p.a.
- (ii) Salaries Rs. 1,400 and rates Rs. 800 are due.
- (iii) Provide provision for doubtful debts is to be maintained @ 5 % on Sundry Debtors.
- (iv) Stock in hand on 31<sup>st</sup> March, 2014 is valued at Rs. 12,500.
- (v) Goods costing Rs. 1,000 were taken by the proprietor for his personal use; no entry has been made in the books of accounts.
- (vi) Prepaid insurance Rs. 350.
- (vii) Provide for manager's commission @ 5 % on net profit after charging such commission.
- (viii) A fire broke out on 01<sup>st</sup> April, 2014 destroying goods worth Rs. 4,700.
- (ix) Goods costing Rs. 1,200 were sent to a customer on sale or return for Rs. 1,400 on 27<sup>th</sup> March, 2014, and have been recorded in the books as actual sales.

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