

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER 01– • EXAMINATION – WINTER 2015

Subject Code: 810001
Date: 17/12/2015
Subject Name: Accounting for Managers
Time: 10.30 AM TO 05.30 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 detail of ILSRM ltd. Prepare vertical form of balance sheet.

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Assets	Amount	Liability	Amount
Plant	20,00,000	Share capital	30,00,000
Debtors	6,00,000	12% debenture	15,00,000
Stock at cost	6,00,000	Interest accrued on debenture	90,000
Cash balance	3,00,000	General reserves	5,00,000
Bank balance	4,00,000	Provision for tax	2,00,000
Discount on issues of shares	1,00,000	Provision for depreciation on plant	2,00,000
Bills receivables	1,00,000	Provision for doubtful debt	15,000
Long term investment	25,00,000	Profit & loss a/c	1,00,000
Motor car	1,00,000	Creditors	7,00,000
Interest accrued on investment	25000	Bills payable	4,00,000
		Accrued expenses	20,000
	68,25,000		68,25,000

(B) Discuss qualitative characteristics of financial statement

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Q: 2 (A) journalize the following transaction in the book of Mr. Ram.

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1.4.1 4	Business started with cash in hand 10,000 rs : cash at bank 50,000 rs : stock 2,00,000 rs : Land 10, 00,000 rs : loan from Mr. X 60,000 rs : loan from Mr Y 20,000 rs
5.4.1 4	Received 1900 rs from Mr. Laxman in full settlement of his a/c pf 2000 rs
6.4.1 4	Received 2900 rs from Mr. Bharat on his a/c for 3000 rs
7.4.1 4	Withdrew 1000 rs for personnel use.
8.4.1 4	Paid income tax by cheque 3000 rs
9.4.1 4	Salary due to clerk 1000rs

9.4.1
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Received commission for 1000 rs. half of which is in advance

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(B) Discuss IFRS in detail.

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OR

(B) What is trial balance? What are the different errors which are not disclosed by Trial balance?

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Q: 3 (A) M Ltd. which depreciates its machinery @ 10% per annum according to diminishing balance method, had on 1st April, 2012 ` 86,000 balance in its machinery account. During the year ended 31st March, 2013, the machinery purchased on 1st April, 2010 for ` 60,000 was sold for ` 40,000 on 1st October, 2012 and a new machinery costing ` 70,000 was purchased and installed on the same date; installation charges being ` 5,000.

The company wants to change its method of depreciation from diminishing balance method to straight line method w.e.f. 1st April, 2010 and adjust the difference before 31st March, 2013, the rate of depreciation remaining the same as before.

Show the machinery account for the year ended 31st March, 2013.

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(B) Discuss AS-13 for investment. Give example of right issues and bonus in it.

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OR

Q: 3 (A) following are the details of receipts and issues of material LIMSIR.

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Receipts	1 January balance 50 units @ 4 per unit	Issues	10 January issues 70 units
	5 January purchase 40 units @ 3 per unit		12 January issues 10 units
	8 January purchase 30 units @ 4 per unit		20 January issues 20 units
	15 January purchase 20 units @ 5 per unit		24 January issues 10 units
	26 January purchase 40 units @ 3 per unit		31 January shortage 5 units

The firm follows the perpetual inventory system for maintaining its store records. You are required to calculate the value of inventory on January 31 using

(LIFO) 2. (FIFO) 3. (Weightage Average Method)

(B) Discuss AS-9 for revenue recognition

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Q: 4 (A) Following are balance sheet of MILRS Ltd. Year ending 2004 & 2005

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Balance sheet as of March, 31

Particulars	2004	2005
Share capital	6,75,000	7,87,500
General reserves	2,25,000	2,81,250
Capital reserves (profit of sale of investment)	-	11,250
Profit & loss account	1,12,500	2,25,000
15 % debentures	3,37,500	2,25,000
Accrued expenses	11,250	13,500
Creditors	1,80,000	2,81,250
Provision dividends	33,750	38,250
Provision for tax	78,750	85,500
Total	16,53,750	19,48,500
Fixed assets	11,25,000	13,50,000
Less : Accumulated depreciation	2,25,000	2,81,250
Net fixed assets	9,00,000	10,68,750
Long term investment at cost	2,02,500	2,02,500
Stock at cost	2,25,000	3,03,750
Debtors (net of provision of doubtful debt 45000 and 56250 Respectively for 2004 and 2005 year)	2,53,125	2,75,625
Bills receivables	45,000	73,125
Prepaid expenses	11,250	13,500
Miscellaneous expenses	16,875	11,250
Total	16,53,750	19,48,500

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Additional information:

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- (1) During the year 2004-05 fixed assets with net book value of 11,250 (accumulated depreciation 33750 rs) was sold for 9000 rs
- (2) During the year 2004-05 investment costing 90,000 were sold and also investment costing of 90,000 were purchased.
- (3) Debentures were retired with 10% premium
- (4) Tax of 61,875 was paid for 2003-04 year
- (5) The proposed dividends for 2003-04 was paid in 2004-05
- (6) During the year 2004-05 bad debt of 15,750 were written off against the provision of doubtful debt account.

Prepare fund flow statement (statement of changes in financial position on working capital basis) for the year ending March 31, 2005.

(B) Discuss the features of corporate balance sheet

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OR

Q: 4 (A) ILMRS LTD (Balance Sheets As of December 31) prepare common size statement 07
 And comment on increase / decrease of assets and liability

Assets	2010	2009	Liability	2010	2009
Cash	20000	17000	Accounts payable	40000	38000
Marketable securities	20,000	22,000	Salaries payable	2000	3000
Notes receivable	4,000	3,000	Taxes payable	4000	2000
Accounts receivable	50,000	56,000	8 % bonds	100000	100000
Merchandise inventory	70,000	43,000	6% Preference shares	50000	50000
Prepaid expenses	4000	4000	Equity shares	150000	125000
Plant & machinery	340000	310000	Retained earnings	162000	137000
	508000	455000		508000	455000

(B) Discuss profitability ratios with formula and examples

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Q : 5 (A) From the following details. Fill up the profit & loss account and balance sheet. 07

Profit & loss account

Particular	Dr	Particular	Cr amount
To Cost of goods sold	6,00,00	By sales	20,00,000
To operating expenditure	?		
To Earnings before interest & tax	?		
Total		Total	
To income tax		Earnings before interest and tax	
To debenture interest a/c	10,000		
To net profit			
Total		Total	

Balance sheet

Liabilities	Amount	Assets	Amount
Capital.....?		Fixed assets	?
Reserves.....?		Cash	?
Net worth	?	Stock	?
10% debentures	?	Debtors	35,000
Creditors	60,000		
Total		Total	

Additional information:

- (1) Net profit to sales 5%
- (2) Current ratio 1.5: 1
- (3) Return on net worth 20%
- (4) Inventory turnover ratio 15 times (based on cost of goods sold)
- (5) Share capital to reserves 4: 1
- (6) Income tax 50%

(B) Explain trend analysis with hypothetical examples

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OR

Q: 5 (A) SRL limited gives you following details.

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Current ratio	2.5: 1
Debt equity ratio	1: 1.5
Return on total assets	15%
Total assets turnover ratio	2
Gross profit ratio	20%
Stock turnover ratio	7
Current market price of company's equity share	16 rs
Net working capital	4, 50,000
Fixed assets	10, 00,000
Opening stock	3, 80,000
20,000, 9% preference share of	10 rs each
60,000 equity shares of	10 rs each

You are required to calculate following ratio

- (1) Quick ratio
- (2) Fixed assets turnover ratio
- (3) Proprietary ratio
- (4) Earnings per share ratio
- (5) Price earning ratio
- (6) Price earning ratio when market price of share is 20 rs
- (7) Price earning ratio when market price of share is 12 rs

(B) Explain GAAP principles

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