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18MBA13

**First Semester MBA Degree Examination,
Accounting for Managers
Model Question Paper-2**

Time: 3 hrs.**Max. Marks: 100**

**Note: 1. Answer any *FOUR* full questions from Part-A.
2. Part-B Case Study is compulsory.**

Part-A

1. a. List the characteristics of Accounting principles. **(3 Marks)**
b. "Financial statements are the only basis for measuring the performance of a company". Comment. **(7 Marks)**

- c. Show the accounting equation on the basis of the following transactions: **(10 Marks)**

1. Y started business with cash Rs. 90,000
2. Purchased goods on credit Rs. 50,000
3. Purchased furniture for cash Rs. 10,000
4. Sold goods costing Rs. 20,000 for Rs. 40,000
5. Sold goods costing Rs. 20,000 on credit for 42,000
6. Drawn for personal used Rs. 5000
7. Paid for rent Rs. 1000
8. Paid for salaried Rs. 3000
9. Paid to creditors Rs. 40,000
10. Received from debtors Rs. 12,000

2. a. State the differences between Provisions and Reserves. **(3 Marks)**

b. Is accrual basis of accounting is superior to cash basis of accounting in meeting the economic decision making needs of the users of financial statements? Why or Why not? **(7 Marks)**

c. On 01st January, 2015, the following were the ledger balances of Gopal and Co.: Cash in hand Rs. 900/-; Cash at bank Rs. 21,000/-; Soni (Cr) Rs. 3,000/-; Zahir (Dr) Rs. 2,400/-; Stock Rs. 12,000/-; Prasad (Cr) Rs. 6,000/-; Sharma (Dr) Rs. 4,500/-; Lall (Cr) Rs. 2,700/-; Ascertain capital. **(10 Marks)**

Transactions during the month were;

- 2015 Jan. 2. Bought goods of Prasad – Rs. 2,700/-
Jan 3. Sold to Sharma – Rs. 3,000/-
Jan 5. Bought goods of Lall for cash, paid by cheque – Rs. 3,600/-
Jan 7. Withdraw cash for personal use – Rs. 200/-
Jan 13. Received from Zahir in full settlement – Rs. 2,350/-
Jan 17. Paid to Soni in full settlement – Rs. 2,920/-
Jan 22. Paid cash for stationery – Rs. 50/-

Jan 29. Paid to Prasad by cheque – Rs. 2, 650/-
 Discount allowed by him – Rs. 50/-
 Journalize the above transactions.

- 3.a. What is an accounting cycle? **(3 Marks)**
 b. What is IFRS? State the objectives of IFRS **(7 Marks)**
 c. ABC Ltd. Purchased secondhand machinery on 1st April 2007 for Rs. 3,70,000 and installed it at a cost of Rs. 30,000. On 1st Oct. 2008 it purchased another machinery for Rs. 1,00,000 and on 1st Oct. 2009, it sold off the first machine purchased in 2007, for Rs. 2,80,000.

On the same date it purchased a machinery for Rs. 2,50,000. On 1st Oct. 2010, the second machinery purchased for Rs. 1,00,000 was sold off for Rs. 20,000.

In the beginning depreciation was provided on machinery at rate of 10%p.a. on the original cost each year on 31st March. From the year 2008-09, however, the company changed the method of providing depreciation and adopted the written down value method, the rate of depreciation being 15%.

Give machinery A/c for the period 2007-11. **(10 Marks)**

- 4 a. Who can become Forensic Accountant? **(3 Marks)**
 b. What are the deductions under Section 80C of Income tax Act for the Current A.Y? **(7 Marks)**
 c. The following Trial Balance has been prepared wrongly. You are asked to prepare the trial balance correctly. **(10 Marks)**

Name of accounts	Debit balance	Credit balance
Cash in hand	-----	2,000
Purchases returns	4,000	-----
Wages	8,000	-----
Establishment expenses	12,000	-----
Capital	22,000	-----
Carriage outward	---	2,000
Discount received	1,200	---
Commission earned	800	-----
Machinery	-----	20,000
Stock	-----	10,000
Creditors	-----	12,000
Sales	-----	28,000
Purchases	28,000	-----
Bank overdraft	14,000	-----
Grand total	58,000	58,000

5. a State the drawbacks of the ratio analysis? **(3 Marks)**
 b. Identify the type of account and state the reasons for the following terms **(7 Marks)**

i Depreciation	li Wages	lii Standard Chartered Bank
iv Furniture	v Goodwill	vi Salaries
vii Discount paid	viii Building	ix Machinery
x Commission paid	xi Bad debts	xii Advance mobile charges
xiii. Canara Bank	xiv. Discount received	

c.. From the following particulars pertaining to Assets and Liabilities of a company calculate:

- Current Ratio
- Liquidity Ratio
- Proprietary Ratio
- Debt-equity Ratio
- Capital Gearing Ratio

(10 Marks)

Liabilities	Rs.	Assets	Rs.
5000 Equity shares of Rs. 10 each	500000	Land & Building	500000
8% 2000 Preference shares of Rs. 100 each	200000	Plant & Machinery	600000
9% 4000 Debentures of Rs. 100 each	400000	Debtors	200000
Reserves	300000	Stock	240000
Creditors	150000	Cash & Bank	55000
Bank overdraft	50000	Pre paid expenses	5000
	1600000		1600000

6a. State the Income tax slab rate of an individual for the Current Assessment Year. (3 Marks)

b. "Balance Sheet is a statement, but not an account". Comment. (7 Marks)

c. On January 1, 2017 Patil Stores cash book showed debit balance of cash ₹1,550 and bank ₹13,575. During the month of January following business was transacted. (10 Marks)

- 1 Jan Purchased office typewriter for cash ₹750; cash sales ₹1,315
- 3 Jan Deposited cash ₹500
- 4 Jan Received from Jajee a cheque for ₹2,550 in part payment of his account
- 6 Jan Paid by cheque for merchandise purchased worth ₹1,005
- 8 Jan Deposited into bank the cheque received from Jajee.
- 10 Jan Received from Hayat Khan a cheque for ₹775 in full settlement of his account and allowed him discount ₹15.
- 12 Jan Sold merchandise to Winston Bros. for ₹1,500 who paid by cheque which was deposited in the bank.
- 16 Jan Paid Satish ₹915 by cheque, discount received ₹5
- 27 Jan Paid to Kiran by cheque ₹650
- 30 Jan Paid salaries by cheque ₹1,750
- 31 Jan Deposited into bank the cheque of Hayat Khan.
- 31 Jan Drew from bank for office use ₹250.

You are required to enter the above transactions in 3 column cash book and balance it.

7a. 'Liquidity ratio plays a key role in Banking Industry'. Comment. (3 Marks)

b. Distinguish between Capital and Revenue receipt.

(7 Marks)

c. . Prepare cash flow statement by indirect method of X Ltd. From the following:

(10 Marks)

Capital & Liabilities	1.1.06	31.12.06	Assets	1.1.06	31.12.06
Share capital	4,00,000	4,00,000	Land & Building	2,90,000	2,10,000
Reserves & Surplus	55,000	90,000	Plant & Machinery	2,10,000	2,75,000
Reserve for contingency	1,00,000	70,000	Stock	1,20,000	1,85,000
Dep fund	60,000	70,000	Debtor	1,00,000	70,000
8% Debenture	1,60,000	1,00,000	Cash & Bank	60,000	55,000
Bills payable	1,40,000	1,10,000	Temporary		
Outstanding expenses	30,000	50,000	Investments	1,25,000	75,000
			Prepaid expenses	40,000	20,000
	9,45,0000	8,90,000		9,45,0000	8,90,000

Additional Details:

- A Plant costing Rs.20000 with accumulated depreciation of Rs.8000 was sold for Rs.10000 and bought a new plant for Rs.85000
- A part of Building was sold for Rs.150000
- Rs.60000, 8% debenture were redeemed by purchase from open market @ Rs.95
- Rs.50000 investment were sold at 15% higher than book value
- 25% dividend was paid in cash
- Rs.30000 was utilized from contingency reserve for settlement of previous tax liability

Part-B

8. (Case Study)

The following is the trial balance of Mr. X of Bombay as on 31st Dec. 2017. Prepare a trading and profit and loss account for the year ended 31st Dec. 2017 and the balance sheet as on that data after taking into consideration the following adjustments.

The authorized capital of the company was Rs.1000000 divided into Rs.500000 9% preference shares of Rs.100 each and Rs.500000 equity shares of Rs.100 each. Rs.75 per share was called up on 3200 equity shares by the director and the amount was fully paid.

Adjustments:

- Depreciation to be provided on Land and building is Rs.10000 and on plant and machinery Rs.25000
- Increase reserve for bad and doubtful debts to 5%
- Closing stock is valued at Rs.340000

Trial Balance as on 31st Dec. 2017

Particulars	Dr	Cr
Equity Share capital	-	240000
9% preference share capital	-	500000
8% Debentures	-	160000
Land & Building (at cost)	550000	-
Plant & Machinery (at cost)	350000	-
Good will	190000	-
Resave for bad debts	-	12000
P & L Account (1.1.2017)	-	265000
Sales revenue	-	1465500
Purchases	1200600	-
Selling expenses	45000	-
Distribution expenses	24450	-
Bank charges	3500	-
Share transfer fee	-	2500
Preliminary expenses	55000	-
Share premium A/C	-	60000
Depreciation reserves (1.1.2017)	-	
Land & Building		110000
Plant & Machinery		120000
Trade investment	185000	-
General reserve	-	125000
Other investment	75000	-
Stock (1.1.2017)	230000	-
Sundry creditors	-	165000
Sundry Debtors	467000	-
Bank Overdraft	-	184000
Management expenses	37000	-
Office expenses	23450	-
Income from investment	-	28000
TOTAL	3437000	3437000

You are require to compute

- (i) Gross Profit (5 Marks)
- (ii) Net Profit (7 Marks)
- (iii) Prepare Balance Sheet (8 Marks)
