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18MBA13

**First Semester MBA Degree Examination,
Accounting for Managers
Model Question Paper-1**

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. What is Contra entry? Give example. **(3 Marks)**
b. How Investor will be benefited by Ratio Accounting? **(7 Marks)**
c. Give accounting equation for the following transactions of Hitesh for the year 2009. **(10 Marks)**
i. Started business with cash Rs. 18,000.
ii. Paid rent in advance Rs. 400.
iii. Purchased goods for cash Rs. 5000 and on credit Rs. 2,000.
iv. Sold goods for cash Rs. 4,000 (costing Rs. 2,400).
v. Rent paid Rs. 1,000 and rent outstanding Rs. 200.
vi. Bought motor-cycle for personal use Rs. 500.
vii. Purchased equipments for cash Rs. 500.
viii. Paid to creditors Rs. 600.
ix. Depreciation on equipment Rs. 25.
x. Business expenses Rs.400.
- 2.a. Distinguish between Direct and Indirect tax. **(3 Marks)**
b. "Human Resource Accounting is a management tool which is designed to assist the Senior management for taking business decisions" Justify **(7 Marks)**
c. Record the following transaction in three column cash book. **(10 Marks)**
1/3/2008 opened a Bank account with capital Rs. 1, 00,000 & cash in hand Rs. 40,000.
3/3/2008 paid into Bank Rs. 10,000.
5/3/2008 Bought Goods for Rs. 3,800 and paid by cheque.
6/3/2008 Sold goods for cash Rs. 2,600 & deposited the same into the Bank.
7/3/2008 Sold goods to Mr. X an account Rs. 10,000.
10/3/2008 Paid Mr. A by cheque Rs. 240 receiving a discount of Rs.10.
15/3/2008 Received a cheque from Mr. Vikas Rs. 1080 and allowed him Discount Rs. 20.
16/3/2008 Received a cheque from Mr. Santhosh Rs. 4000.
- 3.a. List out any six items deductible under Section 80C. **(3 Marks)**
b. Briefly explain the benefits and challenges of IFRS **(7 Marks)**
c. From the following information prepare Cash Flow Statement by Indirect Method. **(10 Marks)**

COMPARATIVE BALANCE SHEET OF EXCELLENT LTD.,

Liabilities & capital	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.	Assets	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
Share Capital	50,00,000	40,00,000	Fixed Assets	31,00,000	30,00,000
Reserve & Surplus			Investments	1,50,000	-
Secured Loans	15,00,000	5,00,000	Cash and Bank		
Current Liabilities	35,00,000	40,00,000	Balances	2,00,000	1,25,000
	50,00,000	60,00,000	Stocks, Stores, WIP	75,00,000	78,75,000
			Sundry Debtors	40,00,000	35,00,000
	1,50,00,000	1,45,00,000		1,50,00,000	1,45,00,000

- (i) The net profit for the year after adjustment in respect of provisions for dividends and taxation was Rs. 10,00,000

There was addition to Fixed Assets during the year amounting to Rs. 4,00,000 and Depreciation for the year was Rs. 3,00,000

4 a. What is forensic accounting?

(3 Marks)

b. Draw a table showing the Income tax slab rates for an individual (including Senior and super senior citizen) 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 (Rs.)	Credit balance (Rs.)
Cash in hand	-----	2,000
Purchases returns	4,000	-----
Wages	8,000	-----
Establishment expenses	12,000	-----
Sales returns	----	8,000
Capital	22,000	----
Carriage outward	---	2,000
Discount received	1,200	---
Commission earned	800	----
Machinery	-----	20,000
Stock	-----	10,000
Debtors	8,000	-----
Creditors	----	12,000
Sales	----	44,000
Purchases	28,000	----
Bank overdraft	14,000	-----
Manufacturing expenses	-----	14,000
Loan from Ashok	14,000	-----
Carriage inward	,1000	-----
Interest on investment	-----	1000
Grand total	1,13,000	1,13,000

5. a. What is window dressing?

(3 Marks)

b. General Manufacturers had a debit of balance of Rs. 800000 in their machinery account on 1.1.2000. the concern was charging depreciation @ 15 % p.a. on diminishing balance. On 31.3. 2000, a part of the machinery purchased on 1.1. 1997 at a cost of Rs. 70000 was sold for Rs. 45000. New machinery was purchased for Rs. 80000 on 1.7.2000 and Rs. 6700 was spent for installation. On 31.12.2000 the concern decided to change the depreciation method from diminishing balance method to straight line method. It was also decided to charge dep. @ 10% p.a. under the new method. Prepare Machinery account for the year 2000. (7 Marks)

c.. Mr. A has applied for the the position of Financial Analyst at E&Y Co. Ltd. The Head of Finance wants to assess the basic accounting skill sets of a candidate. The following information is provided in form of ratios to Mr.A to prepare the Balance Sheet given in the under mentioned proforma

(10 Marks)

Total Assets/ Net worth	=	3.5
Sales/Fixed assets	=	6
Sales/Current assets	=	8
Sales/Inventory	=	15
Sales/Debtors	=	18
Current Ratio	=	2.5
Annual Sales = Rs. 25, 00,000		

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Net worth	-----	Fixed Assets	----
Long term Debt	-----	Inventory	----
Current Liabilities	-----	Debtors	----
		Liquid Assets	----
	-----		----

Assume you to be Mr. A, how will you prepare the Balance Sheet with necessary working notes.

6a. Being a prospective Investor, Interpret the following from the view point of Liquidity. (3 Marks)

Particulars	Bank A (Rs.)	Bank B (Rs.)
Current Assets	200000	800000
Fixed Assets	800000	200000
Total Assets	1000000	1000000

b. . From the information given below, calculate:

(7 Marks)

- (i) Current Ratio (ii) Acid test Ratio
(iii) Debt Equity Ratio

BALANCE SHEET OF 'X' COMPANY LTD., as on 31st December 2017

Liabilities	Amount	Assets	Amount
Shareholders' fund:		Fixed assets	1,80,000
Equity share capital: 1,50,000		Current assets:	
12% Pref. share capital: 30,000		Cash in Hand: 2,000	
Reserves and surplus: <u>24,000</u>	2,04,000	Cash at bank : 4,000	

15% Debentures		48,000	Sundry Debtors:	10,000	
Bank overdraft:	12,000		Stores:	12,000	
Sundry creditors:	16,000		Stock-in-Trade:	<u>32,000</u>	60,000
Proposed dividend:	2,000		Preliminary expenses		48,000
Provision for taxation:	<u>10,000</u>	40,000	Discount on issue of Debenture		4,000
		2,92,000			2,92,000

Also comment on the results of the above ratio.

c. Explain any Five Accounting Concepts with suitable examples (10 Marks)

7a. State the objectives of IFRS. (3 Marks)

b. Distinguish between Capital and Revenue expenditure (7 Marks)

c. . Prepare cash flow statement of Satyam Ltd. From the following: (10 Marks)

Liabilities	1.1.06	31.12.06	Assets	1.1.06	31.12.06
Share capital	1,00,000	4,00,000	Goodwill	-	20,000
8% debenture	-	2,00,000	Machinery	1,25,000	4,75,000
Retained earning	60,000	90,000	Stock	20,000	80,000
Creditors	40,000	1,00,000	Debtor	30,000	1,00,000
Bills payable	20,000	40,000	Bank	50,000	1,50,000
Tax provision	30,000	40,000	Cash	25,000	45,000
	2,50,000	8,70,000		2,50,000	8,70,000

Additional Details:

- i. During 2006 the business of a sole trader was purchased by issuing share for Rs. 2,00,000. The assets acquired from him were:
Goodwill Rs. 20,000, machinery Rs. 1,00,000 , stock Rs. 50,000 and Debtors Rs. 30,000
- ii. Provision for tax charged in 2006 was Rs. 35,000
- iii. The debenture was issued at a premium of 5% which is included in the retained earnings.
- iv. Depreciation charged on machinery was Rs.30,000.

Part-B

8. (Case Study)

The following is the trial balance of Mr. X of Bombay as on 31st Dec. 2009. Prepare a trading and profit and loss account for the year ended 31st Dec. 2009 and the balance sheet as on that data after taking into consideration the following adjustments.

Adjustments:

- i. Stock on 31st Dec.2009 was Rs. 10,000.
- ii. Debts worth Rs. 2000 should be written off as bad.
- iii. Depreciate machinery by 5% and motor vans by 15%.
- iv. Provision for bad & doubtful debts should be increased by Rs. 600.
- v. Commission accrued & not received Rs. 500.
- vi. Goods worth Rs. 500 were used by the proprietor for his personal use.
- vii. On 20th Dec. 2009, a fire broke out in the shop & goods worth Rs. 2000 were completely destroyed. The insurance company accepted the claim for Rs. 1500 only & paid the amount on 1st Jan 2010.

Trial Balance as on 31st Dec. 2009

Particulars	Dr	Cr
Mr. X Capital		85000
Mr. X Drawings	7500	
Stock on 1 st Jan 2009	12000	
Purchase & Sales	86000	170000
Returns	2000	1000
Discounts	500	700
Commission received		1000
Income Tax paid	700	
Office Salaries	17300	
Office Rent	2000	
Advertising	1700	
Sundry Debtors & Creditors	85000	30000
Provision for doubtful debts		3000
Manufacturing Wages	8600	
Bills Receivable & Payable	5000	5000
Carriage	600	
Machinery	40000	
Motor Vans	7000	
Land & Buildings	10000	
Office Expenses	1500	
Cash at Bank	6000	
Cash in hand	2300	
TOTAL	295700	295700

You are require to compute

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