

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA Evening - SEMESTER-I • EXAMINATION – SUMMER 2013

Subject Code: 810001**Date: 29-05-2013****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)** Explain the following concepts with suitable example; **07**
 (1) Periodicity (2) Money Measurement (3) Accrual Accounting
- (b)** What is Accounting Standards (AS)? **07**
 Discuss AS issuance procedure followed by ICAI.

- Q.2 (a)** From the following data, calculate the value of closing inventory according to FIFO **07**
 and LIFO on March 31, 2013 using:
 (1) Periodic inventory system and (2) Perpetual inventory system.

March 1 Stock in hand 400 units @ Rs. 7.50 each

<u>Purchases</u>	Units	Rs.	<u>Issues</u>	Units
Mar-05	600 units	Rs. 8	Mar-03	300 units
Mar-15	500 units	Rs. 9	Mar-10	500 units
Mar-25	400 units	Rs. 8.50	Mar-17	400 units
Mar-30	300 units	Rs. 9.50	Mar-26	500 units
			Mar-31	200 units

- (b)** On 1-1-2009 Mr. Narayan purchased Roasting Machine for Rs. 60,000 and Grinding Machine for Rs. 40,000. On 1-1-2010, purchased an Oil Expeller for Rs. 1,00,000. On 1-1-2011 the Roasting Machine got out of order and a new Roaster was purchased costing Rs. 1,20,000 after surrendering the old one and paying cheque Rs. 90,000. On 1-1-2012 the Oil Expeller purchased on 1-1-2010 was destroyed by fire and the insurance company paid Rs. 60,000 only. **07**
 Show the Machinery Account up to 2012 as per SLM and WDV charging depreciation @ 10% p.a.

OR

- (b)** Explain GAAP. What are the institutions influencing Indian GAAP? **07**
- Q.3 (a)** Journalise the following transactions in the books of Mr. Tirth Rao: **07**
- i. Received a V.P.P. of goods for Rs. 68,000, sent a peon to take delivery of it and he paid Rs. 4,500 for cartage.
 - ii. Purchased machinery for Rs. 5,00,000 from Jawahar and gave him a cheque for amount. Paid installation charges of machinery Rs.10,000.
 - iii. Purchased an old motorcycle for proprietor's son Rs. 40,000. Paid repair charges of motorcycle Rs. 1,000.
 - iv. Purchased goods from Naveen of the list price of Rs. 20,000. He allowed 10% trade discount. Paid cartage Rs. 1,000.
 - v. Purchased goods from Ganesh of the list price of Rs. 20,000. He allowed 10% trade discount and 10% cash discount on issue of a current dated cheque for the amount.
 - vi. Sold goods to Shanker at the list price of Rs. 40,000 and allowed 10% trade discount and 10% cash discount on receipt of a current dated cheque for the amount.

vii. Sold goods to Shrimali at the list price of Rs. 60,000 and allowed 5% trade discount.

(b) What is Financial Statement Analysis? Discuss techniques of it 07

OR

Q.3 (a) The National Bank Limited has been approached by two customers for a short-term loan of Rs. 50,00,000. The following summarized financial information is available from the latest financial statements: 07

	ABC Co. Ltd.	XYZ Co. Ltd.
Net Sales	Rs. 9,10,000	Rs. 7,50,000
Gross Profit Margin	3,82,200	2,92,500
Interest Expense	20,000	8,200
Income Tax	75,000	50,000
Profit after Tax	82,000	56,250
Inventories	90,000	65,200
Debtors	70,000	56,000
Cash	6,000	18,000
Current Liabilities	1,82,600	1,16,000
Long-term Liabilities	1,60,000	1,30,000
Shareholder's Equity	1,80,000	1,40,000

The bank intends to accept one of the two loan requests.

Required: Which customer's loan request should be accepted? Why? Assume that the year-end account balances are representative of the whole year.

(b) Distinguish Fund Flow Statement vs. Cash Flow Statement. 07

Q.4 (a) The Balance Sheet of Prima Ltd. as on 31st March 2012 and 2013 are given below, prepare Cash Flow Statement for the year 2008. 07

Liabilities	2011-12	2012-13	Assets	2011-12	2012-13
Share Capital	6,00,000	8,00,000	Fixed Assets	16,00,000	19,00,000
Capital Reserve	-----	20,000	Less: Dep.	<u>4,60,000</u>	<u>5,80,000</u>
General Reserve	3,40,000	4,00,000		11,40,000	13,20,000
P & L A/c	1,20,000	1,50,000	Investments	2,00,000	1,60,000
Debentures	4,00,000	2,80,000	Current Assets	5,40,000	6,20,000
Current Liabilities	2,40,000	2,60,000	Cash	20,000	40,000
Proposed Dividend	60,000	72,000	Preliminary Exp.	40,000	20,000
Provision for Tax	1,80,000	1,70,000			
Unpaid Dividends	-----	8,000			
	19,40,000	21,60,000		19,40,000	21,60,000

Additional Information:

During the year 20012-13, the Company:

1. Sold one machine for Rs. 50,000, the cost of which was Rs. 1,00,000 and the depreciation provided on it was Rs. 42,000.
2. Provided Rs. 1,90,000 as depreciation.
3. Sold some investment at a profit of Rs. 20,000, which was credited to Capital Reserve.
4. Redeemed 30% of the Debentures @ Rs. 105.
5. Decided to write off fixed assets costing Rs. 28,000 which is fully depreciated.
6. Income tax Rs. 1,80,000 was paid during the year.

(b) How does a dividend decision differ from a bonus decision in terms of its effect a company's assets? 07

OR

- Q.4 (a)** The following are the summarized Profit & Loss Account of **Parin Limited** for the year ending **31st March, 2013** and the Balance Sheet as on that date : **07**

	Rs.		Rs.
To Opening Stock	2,10,000	By Sales :	
To Purchases	9,30,000	Credit 14,20,000	
To Gross Profit	6,00,000	Cash 80,000	15,00,000
		By Closing Stock	2,40,000
	<u>17,40,000</u>		<u>17,40,000</u>
To Administrative Expenses & Dep.	2,50,000	By Gross Profit	6,00,000
To Selling Expenses	70,000	By Profit on Sale of Assets	5,000
To Interest on Debentures	30,000	By Interest	10,000
To Net Profit	2,65,000		
	<u>6,15,000</u>		<u>6,15,000</u>

Liabilities	Rs.	Assets	Rs.
20,000 Equity Shares of Rs. 10 each	2,00,000	Land & Building	4,00,000
1,000 12% Preference Shares of Rs. 100 each	1,00,000	Plant & Machinery	3,00,000
Reserves	3,50,000	Investments	1,00,000
Profit & Loss Account	2,00,000	Stock	2,40,000
Debentures	2,00,000	Debtors	1,00,000
Creditors	1,30,000	Cash & Bank	1,18,000
Bills Payable	60,000	Bills Receivable	42,000
Bank Overdraft	60,000		
	<u>13,00,000</u>		<u>13,00,000</u>

From the above particulars, compute the following accounting ratios and give in brief their uses. (The necessary calculations should be based on taking 360 days in a year.)
 (1) Gross Profit Ratio (2) Current Ratio (3) Debtors Ratio (4) Stock Turnover Ratio (Stock Ratio) (5) Return on Capital Employed.

- (b)** What is off-Balance Sheet financing?
 Why do a company resort to off-Balance Sheet financing?

07

- Q.5** CSDIJ Ltd. have authorised capital of Rs.50,00,000 divided into 5,00,000 equity shares of Rs.10 each. Their books show the following balances as on 31st March, 2012 **14**

	Rs.		Rs.
Stock 1.4.2011	6,65,000	Bank Current Account	20,000
Discounts & Rebates	30,000	Cash in hand	8,000
Carriage Inward	57,500	Debenture interest	
Patterns	3,75,000	(for the year 30.6.2011)	10,000
Rates, Taxes and Insurance	55,000	Interest (Banks)	91,000
Furniture & Fixtures	1,50,000	Preliminary Expenses	10,000
Material purchased	12,32,000	Calls in Arrear	10,000
Wages	13,05,000	Equity Share Capital	20,00,000
Coal and Coke	63,000	(2,00,000 shares of Rs.10 each)	
Freehold Land	12,50,000	4% Debentures (repayable	
Plant & Machinery	7,50,000	after 10 years)	5,00,000
Engineering Tools	1,50,000	Bank Overdraft	7,57,000
Goodwill	3,75,000	Sundry Creditors	2,40,500
Sundry Debtors	2,66,000	Sales	36,17,000
Bills Receivables	1,34,500	Rent (Cr.)	30,000
Advertisement	15,000	Transfer Fees	6,500
Commission & Brokerage	67,500	Profit & Loss A/c. (Cr.)	67,000
Business Expenses	56,000	Repairs	45,600
		Bad debts	25,500

- The stock (valued at cost or market value, which is lower) as on 31st March, 2012 was Rs.7,08,000. Outstanding liabilities for wages Rs.25,000 and business expenses Rs.25,000. Dividend declared @12% on paid-up capital.
- Change depreciation : Plant and Machinery @5%, Engineering Tools @20%, Patterns @10%; and Furniture & Fixtures @10%. Provide 2% on debtors as doubtful debts after writing off Rs.21,500 as bad debts. Write off preliminary expenses Rs.4,841 and create debenture redemption reserve Rs.50,000. Provide @35% for income tax. Corporate Dividend Tax Rate 10%.

You are required to prepare :

(a) Profit & Loss Statement and (b) Balance Sheet as on that date in vertical form.

OR

- Q.5 (a)** Distinguish the terms: Depreciation, Depletion and Amortisation with relevant examples. **07**
- (b)** Describe the steps in the accounting cycle. **07**
