

**GUJARAT TECHNOLOGICAL UNIVERSITY****M. B. A. 1<sup>ST</sup> Semester Remedial Examination –July- 2011****Subject code: 810001****Subject Name: Accounting For Managers****Date: 06/07/2011****Time: 02:30 pm – 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)** The trial balance of Vishal Packaging Ltd for the current accounting period is as follows;

**07**

Trial Balance, December 31, 2010

| Particulars                                   | Debit | Credit |
|---|-------|--------|
| Packing Equipment                             | 30000 |        |
| Accumulated Depreciation, Packaging Equipment |       | 9000   |
| office Equipment                              | 10000 |        |
| Accumulated Depreciation, Office Equipment    |       | 3000   |
| Packaging Supplies                            | 6280  |        |
| Office Supplies                               | 2650  |        |
| Debtors                                       | 2170  |        |
| Cash  | 8820  |        |
| Prepaid Rent                                  | 9600  |        |
| Bills Payable                                 |       | 2500   |
| Creditors                                     |       | 1360   |
| Unearned Revenue                              |       | 1800   |
| Share Capital                                 |       | 35000  |
| Retained Earnings                             |       | 1350   |
| Dividends                                     | 2500  |        |
| Revenue from Services                         |       | 41260  |
| Salaries Expense                              | 14910 |        |
| Electricity Expense                           | 2340  |        |
| Advertisement Expense                         | 4800  |        |
| Telephone Expense                             | 1200  |        |
| Total   | 95270 | 95270  |

**Additional Information;**

1. Estimated depreciation on packaging equipment Rs. 3000
2. Estimated depreciation on office equipment Rs. 1000
3. Inventory of Packaging supplies Rs. 2360
4. Inventory of office supplies Rs. 1190
5. Prepaid rent includes rent for January to March 2011 at Rs. 840 p.m.
6. Accrued interest on the bill payable at 15 per cent per annum from September 1, 2010.
7. Services provided to clients that had been paid for in advance but not taken as revenue Rs. 1040.
8. Unbilled revenue Rs. 1390

9. Unpaid Salaries, Rs. 970
10. Prepaid Advertisement Rs. 400
11. Unpaid telephone expense Rs. 200
12. Estimated Income tax expense Rs. 1600

Prepare Income and Expenditure account, a statement of retained earnings and Balance sheet

- (b) Who are the users of accounting information, and why do the users need accounting information? How this information helpful to the users? **07**

- Q.2 (a)** Sudhir Company sold 20,000 crates of a soft drink at Rs. 120 during the year. Its beginning inventory consisted of 1,000 crates at Rs. 70 per crate. The following purchases were made during the year; 5,000 crates @Rs. 75; 8,000 Crates @ Rs. 76; 9,000 crates @ Rs. 80. Operating expenses were Rs. 3,65,000. Income tax is payable at 30 per cent. **07**

Calculate Net Profit using the FIFO and LIFO methods.

- (b) What do you mean by inventory valuation? State different methods of inventory valuation. Also discuss the impact of each valuation methods on COGS and Profit in inflated prices and deflated prices. **07**

**OR**

- (b) Why do we need global standardization of financial reporting? Is it feasible? Is it required? Why or Why not? **07**

- Q.3 (a)** Manish Dairy has four assets, data on which are as follows; **07**

| Asset           | Date of Purchase | Cost  | Residual Value | Useful Life | Depreciation Method      |
|-----------------|------------------|-------|----------------|-------------|--------------------------|
| Freezer         | 1/11/2009        | 90000 | 4000           | 5 Years     | Sum-of-the-years' digits |
| Delivery Van    | 1/3/2010         | 60000 | 5000           | 50,000 Km   | Production units         |
| Refrigerator    | 1/10/2008        | 12000 | 800            | 6 Years     | Written down value       |
| Display Shelves | 1/12/2007        | 8000  | 600            | 10 Years    | Straight line            |

The Delivery Van logged 6,000 km in the year ended March 31, 2010.

Compute the depreciation expense for the period ended March 31 in 2008, 2009 and 2010. The amount is to be rounded to the nearest rupee.

- (b) Explain the significance of Ratio Analysis. **07**

**OR**

- Q.3 (a)** Explain methods of Depreciation on Fixed Assets. **07**
- (b) What do you understand by Trend Analysis? Explain with hypothetical example. **07**

- Q.4 (a)** The comparative balance sheet of Mishi Company as on December 31, 2009 and 2010 is as follows **07**

| Particulars                        | 2009        | 2010   |
|------------------------------------|-------------|--------|
| Shareholders' Fund                 |             |        |
| Share Capital                      | 13700       | 13700  |
| Reserves and Surplus               | <u>3500</u> | 7600   |
|                                    | 17200       | 21300  |
| Liabilities                        |             |        |
| Secured Loans                      | 11600       | 5000   |
| Unsecured Loans                    | 10300       | 29800  |
| Current Liabilities and Provisions | <u>3900</u> | 14900  |
| Total Liabilities                  | 25800       | 49700  |
| Total Equities and Liabilities     | 43000       | 71000S |
|                                    |             |        |
| Assets                             |             |        |
| Fixed Assets                       | 21500       | 28400  |
| Investments                        | 200         | 300    |
| Inventories                        | 10800       | 21300  |
| Debtors                            | 7000        | 16500  |
| Cash                               | 3500        | 4500   |
| Total Assets                       | 43000       | 71000  |

Prepare common size balance sheet for Mishi Company for 2009 and 2010.

- (b) What are the merits of introducing environmental accounting and reporting the results obtained? 07

**OR**

- Q.4 (a)** Selected financial information about Vijay Company is given below; 07

| Particulars          | 2009  | 2010  |
|----------------------|-------|-------|
| Sales                | 43000 | 69000 |
| Cost of Goods Sold   | 32500 | 57000 |
| Debtors              | 3000  | 7200  |
| Inventories          | 5500  | 11400 |
| Cash                 | 800   | 1500  |
| Other Current Assets | 2700  | 4000  |
| Current Liabilities  | 11000 | 16000 |

Compute the current ratio, quick ratio, Average debt collection period and inventory turnover for 2009 and 2010. State whether there is a favourable or unfavourable change in liquidity from 2009 to 2010. At the beginning of 2009, the company had debtors and inventories of Rs. 2500 and Rs. 3000 respectively.

- (b) Explain the role of Human Resource Accounting. 07

- Q.5 (a)** Ganesh Dairy Company's profit and loss account for the year ended September 30, 2010 is as follows;

**07**

| Particulars                         | Amount |
|-------------------------------------|--------|
| Sales                               | 27100  |
| Gain on sale of Investments         | 100    |
| Interest Income                     | 400    |
| Cost of Goods Sold                  | 18600  |
| Depreciation Expense                | 4800   |
| Selling and Administrative Expenses | 1900   |
| Interest Expense                    | 600    |
| Loss on sale of Equipment           | 200    |
| Profit before Income Tax            | 1500   |
| Income Tax                          | 800    |
| Profit After Tax                    | 700    |

During the period, inventory decreased by Rs. 900, debtors (gross) increased by Rs. 1200, creditors decreased by Rs. 700 and income tax payable increased by Rs. 300. Selling and Administrative Expenses include provision for doubtful debt of Rs. 400. Debtors in the amount of Rs. 200 were written off during the period.

- (b)** Briefly explain the valuation of Lease.

**07**

**OR**

- Q.5 (a)** On March 1, Wadia Company issued Rs. 10,00,000 of 10 per cent, 10 year debentures. Interest is payable Semi annually. Compute the issue price of the debentures if the market interest rate on March 1 equals (1) 18 per cent (2) 10 per cent (3) 8 per cent.

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- (b)** Briefly Explain Generally Accepted Accounting Principles.

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