



P.E.S. College of Engineering, Mandya - 571 401
 (An Autonomous Institution affiliated to VTU, Belagavi)
First Semester, Master of Business Administration (MBA)
Semester End Examination; Jan. - 2020
Accounting for Managers

Time: 3 hrs

Max. Marks: 100

Note: Answer all **FOUR** full questions from **PART-A** and **PART-B** (Case Study) is compulsory.

Q. No.	Questions PART - A	Marks
--------	-----------------------	-------

- 1a. What are the limitations of Financial Accounting? 10
- b. Summarize the following transactions in the Journal of M/s Rakshitha Furniture Dealer:

Jun 5 th	Acquired the running business of Alpha, for cash 50,00,000 by taking over the following Assets and liabilities at values stated against them: Stock of Goods `15,00,00; Furniture 12,50,000; Debtors 7,00,000; Machinery 8,00,000; Goodwill =? And Creditors 2,50,000	
7 th	Bought goods worth 6,00,000 from Usha & Co. & paid half the amount of cash.	10
8 th	Sold to Bee & Co. goods worth 8,00,000 and a cheque received for the due.	
16 th	Bought furniture worth 48,00,000 of which, those worth 1,000 are due for office use and the balance for stock	
30 th	Goods amounting to Rs. 7,50,000 were sold to Mohan for cash. It was correctly recorded in the cash book but was wrongly credited to Mohan's account also.	

OR

- 2 a. i) Justify that Accounting is rightly termed as "Language of Business". 5
- ii) Differentiate between Capital Expenditure and Revenue expenditure with suitable examples. 5
- b. The following are the balances extracted from the books of accounts of Exide Ltd. as on 31.03.2018; you are required to outline a Trial Balance as on 31.03.2018

Particulars	Rs.	Particulars	Rs.
Opening Stock	1,86,420	Preliminary Expenses	6,000
Purchases	7,18,210	Freehold Premises	1,64,210
Sales	11,69,900	Plant & Machinery	1,28,400
Return Inwards	12,680	Furniture	5,000
Return Outwards	9,850	Loose Tools	12,500
Manufacturing Wages	1,09,740	Debtors	1,05,400
Sundry Manufacturing Exp.	19,240	Creditors	62,220
Carriage Inwards	4,910	Cash in Hand	19,530
12% Bank Loan with SBI	50,000	Cash at Bank	96,860
Interest on Bank Loan	4,500	Advance Payment of Income Tax	84,290
Office Salaries & expenses	17,870	P & L A/c as 1 st April, 2017 (Credit)	38,640
Auditor's Fees	8,600	Share Capital	?
Director's Remuneration	26,250		

3 a. Explain in brief Accounting Concepts and Accounting Conventions. 10

b. Given below the Financial Statements of Pramod Ltd. For the year ended March 31st, 2018, Profit and Loss Account for the year ended 31-03-2018

Particulars	Rs.	Particulars	Rs.
To Opening Stock	2,20,000	By Sales	22,00,000
To purchases	16,75,000	By Closing Stock	4,00,000
To wages	25,000		
To Gross Profit c/d	6,80,000		
	26,00,000		26,00,000
To administrative Expenses	70,000	To Gross Profit b/d	6,80,000
(Depreciation: Rs. 15,000)		To other Income	52,000
To Selling and Distribution Expenses	3,40,000		
To Financial Expense	80,000		
To Net Profit	7,32,000		7,32,000

Balance Sheet as on 31-03-2018

Liabilities	Rs.	Assets	Rs.
Share Capital (Rs.100 each)	12,00,000	Fixed Assets	8,50,000
Reserves & Surplus	3,40,000	Investments	5,70,000
Secured Loans	80,000	Closing Stock	4,00,000
Sundry Creditors	3,80,000	Cash at Bank	30,000
		Cash in hand	10,000
		Sundry Debtors	1,40,000
	20,00,000		20,00,000

Corporate Tax rate is 30%

You are required Interpret the following ratios:

- | | | |
|------------------|------------------------------|-------------------------|
| i) EBDIT (PBDIT) | v) EPS | ix) Return on Equity |
| ii) EBIT | vi) Net Profit Ratio | x) Return on Investment |
| iii) PBT | vii) Quick Ratio | |
| iv) PAT | viii) Debtors Turnover Ratio | |

OR

4 a. What do the following ratios indicate? 10

Return on Investment; Current Ratio; P/E ratio; Debt Equity Ratio; Dividend payout Ratio.

b. From the following Information Outline Cost sheet

Consumable Material	Rs.
Opening Stock	20,000
Purchases	1,22,000
Closing Stock	10,000
Direct Wages	36,000
Direct Expenses	24,000
Factory overheads	50% of direct wages
Office and Administration overheads	20% of work cost
Selling and distribution expenses	Rs.3 per unit sold
Units of finished goods	
In hand at the beginning of the period (value Rs. 12,500)	500
Units produced during the period	12,000
In hand at the end of the period	1,500

Find out the selling price per unit assuming 20% profit on selling price. There is no work-in-progress either at the beginning or at the end of the period. 10

- 5 a. Balance Sheet is estimation but cash flow statement is reality. Explain with examples. 10
- b. Daksh Ltd. has fixed costs of Rs. 3,00,000 and produce one product with a selling price of Rs. 72 and a variable cost of Rs.42 per unit. The maximum Factory capacity is 20,000 units/month and presently it is selling 15000 units. Find out the following items: 10
- Break-even point
 - Profit at the present level of operation
 - If sales increases to the maximum capacity. What would be the estimated profit?
 - What is the required output level to make a target profit of Rs.1,20,000

OR

- 6 a. Explain the need and significance of depreciation. What factors should be considered for determining the amount of depreciation? 10
- b. A firm is willing to change the system of providing for depreciation from Diminishing Balance Method to straight Line Method with retrospective effect from 1st April 2014. On 1st April 2017, Machinery Account in the ledger had a debit balance of Rs. 5,67,000. The rate of depreciation would, however, remain unchanged. Necessary adjustments for depreciation due to change in method should be made in the year 2017-18. Rate of Depreciation is 10% p.a. You are further informed that new machinery was purchased on 1st October 2016 at a cost of Rs. 60,000. Show machinery Account from 2015-16 to 2017-18. 10
- 7a. Differentiate between cash flow statement and fund flow statement. 10
- b. From the following Balance Sheets of Charu Ltd., you are required to show; 10
- Statement of changes in working capital
 - Funds Flow statement

Liabilities	2019	2018		2019	2018
Equity Share Capital	4,00,000	3,00,000	Goodwill	90,000	1,15,000
8% Redeemable Preference shares	1,00,000	1,50,000	Land & Building	1,70,000	2,00,000
General Reserve	70,000	40,000	Plant	2,00,000	80,000
P &L Account	48,000	30,000	Debtors	2,00,000	1,60,000
Proposed Dividend	50,000	42,000	Stock	1,09,000	77,000
Creditors	83,000	55,000	Bills Receivable	30,000	20,000
Bills Payable	16,000	20,000	Cash in Hand	10,000	15,000
Provision for Taxation	50,000	40,000	Cash at Bank	8,000	10,000
	8,17,000	6,77,000		8,17,000	6,77,000

Additional Information:

- Depreciation of Rs. 10,000 and Rs. 20,000 has been charged on Plant and Land and Building respectively
- An interim Dividend of Rs. 20,000 has been paid in 2018-19. Income Tax Rs. 35,000 has been paid during 2018-19

OR

8. Write short notes on (any 4) 20
- Dividend Equalization Fund
 - Contingent Liability
 - Preliminary Expenses
 - Different techniques of Financial analysis
 - Errors not disclosed by Trial Balance

PART - B (Case study - Compulsory)

9. You are required to prepare Profit and Loss Account and Balance sheet from the following balance of Sri Manjunatha Industries for the year ended 31st March 2018.

Particulars	Debit	Credit
Capital		84,000
Bad debts reserve		7,000
Purchases	2,00,000	
Freight	10,000	
Carriage	8,000	
Sundry expenses	1,200	
Sundry debtors	1,20,000	
Bad debts	10,000	
Salaries	20,000	
Discount allowed	2,400	
Rent	2,600	
Sales		3,50,000
Return outwards		10,000
Bills Payable		30,000
Sundry Creditors		1,20,000
Postage	200	
Wages	8,600	
Return Inwards	8,000	
Cash at Bank	8,000	
Cash in Hand	2,000	
Stock	80,000	
Machinery	40,000	
Land and Building	60,000	
Investment	20,000	
Total	6,01,000	6,01,000

Adjustment :

I) Closing Stock Rs. 1,20,000

II) Wages was salaries outstanding Rs. 200 and Rs. 300 respectively

III) Prepaid Rent is Rs.500 and Provides Rs. 700 as bad debts

IV) Provide 10% depreciation on machinery

- a) Estimate Gross Profit for the period under consideration. 4
- b) Estimate the Net profit for the period under consideration. 6
- c) Show the financial position with respect to assets and liabilities at the period. 8
- d) Interpret financial performance of the enterprise for the period under consideration. 2