



P.E.S. College of Engineering, Mandya - 571 401

(An Autonomous Institution affiliated to VTU, Belgaum)

First Semester, Master of Business Administration (MBA)

Semester End Examination; Jan - 2017

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.

PART - A

- 1 a. What do you mean by Accounting Concepts and Accounting Conventions? Explain in brief the Fundamental Accounting Assumptions. 10
- b. Define Depreciation. What are the causes for Depreciation? Explain the straight line and diminishing method of Depreciation. 10

OR

- 2 a. What is meant by cost sheet? Explain the importance of cost sheet. 10
- b. From the following information, prepare cost sheet :

Consumable material:	`	
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 works cost	10
Selling and Distribution expenses	` 3 per unit sold	
Units of finished goods:		
In hand at the beginning for the period (Value ` 12500)	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.

- 3 a. Explain the importance of Audit Report. Also briefly explain the various types of Audit Reports. 10
- b. From the following particulars prepare a bank Reconciliation statement as on 30th September 2015. Balance as per pass book - Overdraft ` 3,000
- i) A cheque of ` 2,000 was credited in the pass book on 28-09-2015. Later dishonored and was debited in the pass book on 1-10-2015 only. There was no entry of this dishonored cheque in cash book within the date. 10

- ii) The bank collected ` 1,000 by way of interest and credited to the amount, but the same was not recorded in the Cash book within 30th September 2015.
- iii) A cheque of ` 25,000 was lodged in the Bank on 30th September 2015 but the same was credited in the pass book only on 7th October 2015.
- iv) Of the cheques drawn on 20th September for ` 8,000, a cheque of ` 2,000 was presented for payment on 7th October 2015.

On scrutiny it was further found that the banker has given a wrong credit for ` 500 and a wrong debit of ` 200 in the pass book which have not been recorded in the cash book within 30th September 2015.

OR

- 4 a. What is a Financial Statement? What do you mean by Financial Analysis? Briefly explain any four techniques of analyzing Financial Statements. 10
- b. Complete the following balance sheet :

Liabilities	`	Assets	`
Equity Capital	3,00,000	Fixed Assets	-
Retained earnings	3,00,000	Inventories	-
Creditors	-	Debtors	-
		Cash	-
	-		-

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You are given the following further information :

- i) Total Debt is two-thirds of net worth
 - ii) Turnover of total assets is 1.8
 - iii) 30 days sales are in the form of debtors
 - iv) Turnover of inventory is 5
 - v) Acid Test Ratio is 1:1
 - vi) Cost of goods sold is ` 900000/-
- 5 a. What are the features of marginal costing? Explain in brief the decision making areas of marginal costing. 10
 - b. Oriental Manufacturers Ltd., has supplied you the following information in respect of one of its products :

Particulars	`
Total Fixed Costs	18,000
Total Variable Costs	30,000
Total Sales	60,000
Units sold	20,000

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Find out :

- (i) Contribution per unit
- (ii) Break-even point
- (iii) Margin of safety
- (iv) profit
- (v) volume of sales to earn profit of ` 24,000

OR

- 6 a. What are the various functions of Accounting? Who are various users of the financial statements? Explain. 10

- b. From the following particulars of Mr. Moon for the year ended 31.03.2015, prepare a Trial Balance :

Particulars	`	Particulars	`
Stock in trade	30,000	Rent	12,000
Purchases	2,05,000	Prepaid Insurance	1,000
Sales	3,54,000	Life Insurance Premium	1,000
Purchase returns	5,000	Insurance	2,000
Sales returns	4,000	Income tax paid	3,000
Wages	20,000	Land and Building	1,00,000
Carriage on purchases	5,000	Furniture	20,000
Power and Light	2,000	Debtors	45,000
Discount allowed	1,000	Creditors	50,000
Discount received	2,000	Bills receivable	10,000
General expenses	15,000	Bills payable	9,000
Salaries	10,000	Drawings	5,000
Outstanding salaries	3,000	Capital	2,00,000
Outstanding Rent	1,000	Cash in hand and at bank	68,000
Depreciation	15,000	Plant and Machinery	50,000

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- 7 a. What is meant by fund flow? List out the various objectives and advantages of preparing the fund flow statement.
- b. Presented below is the Balance sheets of RONOL Ltd as at March 31st 2015 and 2014 :

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Liabilities	2015 (`)	2014 (`)	Assets	2015 (`)	2014 (`)
Equity Share Capital	10,00,000	8,00,000	Plant and Machinery	7,00,000	5,00,000
Reserves	2,00,000	1,50,000	Land and Building		
Profit and Loss A/C	1,00,000	60,000	Investments	6,00,000	4,00,000
Debentures	2,00,000	-	Cash and Bank	1,00,000	-
Provision for taxation	1,00,000	70,000	Trade Debtors	2,00,000	2,00,000
Proposed Dividend	2,00,000	1,00,000	Inventory	5,00,000	7,00,000
Sundry Creditors	7,00,000	8,20,000	B/R	4,00,000	2,00,000
Total	25,00,000	20,00,000	Total	25,00,000	20,00,000

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Additional Information:

- i) During the year one old machine costing ` 50,000 (WDV ` 20,000) was sold for ` 35,000
 ii) ` 50,000 were paid towards income tax during the year.

Prepare cash flow statement.

OR

8. Write a short note on any four of the following :

- i) Contingent Liability ii) Underwriting of Shares iii) Working Capital
 iv) IFRS v) Leverage Ratios vi) Deferred Revenue Expenditure.

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PART - B9. **Case Study:**

From the following, prepare Trading and Profit and Loss A/C of Mr. Jammy, as a sole proprietor for the year ended 31st March 2015 and a Balance Sheet as on that date.

Particulars	Debit ,	Credit ,
Purchases	1,71,280	-
Mr. Jammy's Capital		60,000
Computer	18,380	
Cash at Bank	4,000	
Cash in Hand	2,836	
S. Creditors		13,000
Bills payable		10,220
Furniture and Fittings	1,540	
Rent	12,540	
Discount Received		22,000
Bills receivable	6,720	
Trade charges	920	
S. Debtors	34,156	
Sales		1,60,720
Return Outwards		11,432
Drawings	5,200	
Rent due		320
Discount Allowed	540	
Wages	1,800	
Salaries	16,780	
Return Inwards	1,000	
Total	2,77,692	2,77,692

Adjustments:

- i) Stock on 31-03-2015 was valued at cost ` 25,600, market value is ` 26,200.
- ii) Depreciate furniture and fixtures at 10%. No depreciation is to be provided on computer as it was purchased on the last day of the year.
- iii) Reserve for bad and doubtful debts is to be maintained at 5% on debtors.
- iv) ` 6,000 paid to Mr. Reddy against Bills payable was debited by mistaken to Mrs. Genie and included in the list of sundry Debtors.
- v) Travelling expenses paid to sales representatives ` 5,000 for the month of March 2015 was debited his personal account and included in the list of sundry Debtors.
- vi) Goods costing ` 1500 was used by proprietor for personal use and entry for the same has not yet been passed.