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**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/Feb - 2016**  
**Accounting for Managers**

Time: 3 hrs

Max. Marks: 100

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

**PART - A**

- 1 a. Explain Accounting Principles that should be kept in mind while preparing Financial Statement. Justify you answer with suitable examples. 10
- b. Journalize the following transactions and post them into ledger account and trial balance, 10
- 1.06.14 Radha commenced the business with ` 40,000/-, and loan from Jayanthi  
` 10,000/- furniture ` 10,000/- machinery ` 5,000/-
- 10<sup>th</sup> Rajini supplied goods to us ` 3,000/-
- 15<sup>th</sup> Anuradha bought goods from us on credit ` 2500/-
- 25<sup>th</sup> Returned defective goods to Rajini ` 200/-
- 25<sup>th</sup> Paid by Cheque to Rajini ` 2800/-
- 30<sup>th</sup> Anuradha returned goods due to damage worth ` 300/- & paid the balance by cash.

**OR**

- 2 a. What do you mean by depreciation and explain the methods? Followed in calculating depreciation. 10
- b. The following are the summarized statement of a firm for the year ended 31.12.2013 and a balance sheet of the company as on that date.

Particulars	`	Particulars	`
To Opening stock	19,900	By Sales	1,70,000
To purchases	1,09,050	By closing stocking	29,800
To carriage	2,850		
To Gross profit c/d	68,000		
<b>Total</b>	<b>1,99,800</b>	<b>Total</b>	<b>1,99,800</b>
To Office expenses	30,000	By GP b/d	68,000
To selling expenses	6,000	By profit on sales of shares	1200
To financial expenses	3,000	By interest on investment	600
To loss on sale of asset	800		
<b>To Net profit</b>	<b>30,000</b>		<b>69,800</b>
<b>Total</b>	<b>69,800</b>	<b>Total</b>	<b>69,800</b>

Liabilities	`	Assets	`
Share Capital (4000 shares of ` 10 each)	40,000	Land and building	30,000
Reserves	18,000	Plant	16,000
P & L A/c	12,000	Stock	28,000
Bank O/D	6,000	Drs	14,000
Creditors	16,000	B/R	2,000
O/S expenses	4,000	Cash	6,000
<b>Total</b>	<b>96,000</b>		<b>96,000</b>

You are required to calculate :

- (i) Gross Profit ratio                      (ii) Operating profit ratio
- (iii) net profit ratio                        (iv) stock turnover ratio

3 a. Discuss the difference between cash flow statement and fund flow statement. 10

b. On 1.1.2011 a firm bought a machinery costing ` 80,000/- and spent ` 20,000/- for its carriage and installation:

On 1.1.2013 another machinery costing ` 40,000/- was purchased & spent ` 10,000 for transportation. 10

On 1.7.2013 the firm sold a machinery purchased on 2011 for ` 80,000/-

On 1.1.2014 the firm purchased another machinery for ` 50,000/- Depreciation is charged at 10% p.a. under WDV method. Prepare machinery a/c for 5 years.

**OR**

4 a. Define Accounting. Explain briefly the users of accounting information. 10

b. From the following balance sheet of Dhruv Ltd. On 31<sup>st</sup> December 2013 and 2014 You are required to prepare, (i) A schedule of changes in working capital (ii) A fund flow statement

Particulars	2013	2014	Particulars	2013	2014
	`	`		`	`
Share Capital	1,00,000	2,00,000	Goodwill	12,000	12,000
General Reserve	14,000	18,000	Buildings	40,000	86,000
P & L A/c	16,000	13,000	Plant	37,000	86,000
Creditors	8,000	5,400	Investment	15,000	21,000
B/P	1,200	800	Stock	30,000	23,400
Provision for tax	16,000	18,000	Drs.	18,000	19,000
Provision for doubtful debts.	400	600	B/R	2,000	3,200
Proposed dividend	5,000	10,000	Cash @bank	6600	15200
	1,60,600	2,65,800		1,60,600	2,65,800

The following additional information has also been given :

- i) Depreciation charged on Plant was ` 4,000/- and on building was ` 4,000/-
- ii) Provision for taxation of ` 19,000/- was made during the year 2014
- iii) Interim dividend of ` 8,000/- was made paid during the year 2014.

5 a. Explain the concept of cost and its classification. 10

b. From the following prepare cost sheet for the year ended 31.12.2014

Particulars	`
Direct material	2,40,000
Direct wages	50,000
Chargeable expenses	5000
<b>Depreciation on:</b>	
Factory Building	15,000
Office building	8,000

Staff car	12,000
Branch Office expenses	40,000
Insurance:	
Staff car	1,500
Office Building	1,200
Factory building	1,500
Delivery Van expenses	10,000
<b>Salary:</b>	
Production Department	25,000
Sales Department	20,000
Administration Department	22,000
Electricity 4,000/-office	24,000
Warehouse expenses	2,000
Advertisements	5,000
Sundry Production expenses	30,000
Sales Promotion	6,000
Office administration	10,000
Expenses for participating in an exhibition	8,000
Sales	6,00,000
Units produced and sold	1000 units

Contd.....3

Prepare a statement of cost for the year 2014.

**OR**

- 6 a. What do you mean by subsidiary books? Explain the types of subsidiary books. 10
- b. Prepare bank reconciliation statement of M/s Pruthvi & Co. as on 31<sup>st</sup> March 2015 10 from the following information:
- Cash @ bank as per bank statement ` 24,030/-
  - Cash @ bank as per cash book ` 18,690/-
  - cheques drawn & entered in the cash books but not yet presented to the banks ` 18,050/- 10
  - Cheques received and paid into the bank but not yet entered in the bank statement ` 12,940/-
  - Interest credited by the bank but not entered in the Cash book ` 230/-

- 7 a. From the following details find out :
- |                         |                       |                    |        |
|-------------------------|-----------------------|--------------------|--------|
| (i) Profit volume Ratio | (ii) Margin of Safety | (iii) BEP in sales |        |
| Sales                   | 100,000               | Fixed Cost         | 20,000 |
| Total Cost              | 80,000                | N. Profit          | 20,000 |
- b. Discuss the common problems encountered in financial statement analysis. 10

**OR**

8. Write short notes on any four of the following carrying equal marks : 20
- (i) Window Dressing    (ii) GAAP    (iii) Good will    (iv) IFRS

(v) Auditors report (vi) Final Accounts

Contd.....4

**PART - B**9. **Case Study :**Trial Balance of Pooja Building and Constructions on 31<sup>st</sup> Dec. 2013

Particulars	Debit	Credit
Share Capital	-	80,000
Opening stock	51,000	-
Purchases & sales	2,20,000	3,30,000
Sales returns	3,800	-
Trade expenses	1,800	-
Wages	12,000	-
Salary	18,000	-
Freight	700	-
Travelling expenses.	3200	-
Power	4,900	-
Advertisement	1,550	-
Discount received		2,700
Interest Paid	850	-
Bad debts	2,500	-
Building	90,000	-
Furniture	5000	-
Machinery	90,000	-
Motor vehicle	8,000	-
Debtors & Creditors	45,000	55,000
Loan	-	75,000
Cash	1,400	-
Reserve Fund	-	23,000
Preliminary expenses	11,000	-
P & L a/c	-	5,000
5% debenture	-	20,000
Investment in TATA Co.	10,000	
Good will	10,000	
Total	5,90,700	5,90,700

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Adjustments :

- i) Closing Stock ` 32,000/-      ii) Provision for taxation @ ` 25,000/-  
 iii) Proposed dividend @ 15%      iv) Transfer to reserve fund ` 5,000/-  
 v) Write off 1/5<sup>th</sup> of the preliminary expenses

From the above information prepare Trading and P/L /C and Balance sheet as on 31<sup>st</sup> Dec. 2013.

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