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First Semester MBA Degree Examination, June/July 2017 Accounting for Managers

Time: 3 hrs.

Max. Marks:80

**Note: 1. Answer any THREE questions from Q.No.1 to Q.No.7.
2. Question No. 8 is compulsory.**

- 1**
- a. What is a Trial Balance? (02 Marks)
- b. Distinguish a Journal from a ledger. (06 Marks)
- c. i) Mr. Dilesh started business by introducing the following assets cash - ₹ 10000 ; Furniture - ₹ 20000 ; Plant - ₹ 30000 ; Goods – 20000.
 ii) He purchased goods of the invoice value of ₹ 10,000 at 10% trade discount from Suresh.
 iii) He supplied goods costing ₹ 1000 to Ramesh at a invoice price of 10% above cost at a trade discount of 5%.
 iv) He installed further machinery of ₹ 20000 and paid wages for installation ₹ 2000. The machinery was supplied by M/S Surya Bro.
 v) He purchased stationary for business purpose ₹ 500.
 vi) He sold goods to Sidharth for ₹ 5000.
 vii) He withdrew goods for personal used costing ₹ 5000 (sale value ₹ 6000)
 viii) He distributed goods costing ₹ 2000 (sale value ₹ 2500 as free samples).
 ix) Sidharth became insolvent and the whole money due from him was considered as a bad debt.
 x) He sold goods for cash ₹ 20000.
 xi) Salaries paid ₹ 10000 after deduction of ₹ 1000 as income tax, ₹ 1500 as employees share of provident fund but before employer's share of provident fund ₹ 1500.
 xii) Amount due from Sidharth earlier written off bad debts recovered in full.
 xiii) Amount paid to Suresh ₹ 8500 in full satisfaction.
 xiv) Income tax liability of Ram ₹ 1000 paid in cash.
- You are required to pass necessary Journal entries for the above transactions. (08 Marks)

- 2**
- a. What is Purchase Book? Explain purchase book with imaginary transaction. (02 Marks)
- b. Journalize the following transaction in the books of M/s Ravanth Industries Ltd. (06 Marks)

January 2014, 02	Started business with ₹ 1,00,000/- and paid into Bank ₹ 50,000/-
04	Bought furniture for cash ₹ 6,000/-
06	Sold goods to Mr. Suresh for ₹ 5,000/-
08	Purchase goods for ₹ 6,000/-
14	Charged depreciation on machinery ₹ 1,000/-
20	Withdrew from Bank ₹ 3,000/- for Private use
25	Paid Rent, Salaries, Postage ₹ 5,000/- ; ₹ 6000 and ₹ 150 respectively

- c. Record the following transactions in three column Cash book of M/s Janani Industries Ltd. For the month of March 2015. (08 Marks)

March 2015, 01	Balance of cash ₹ 2000/- and Bank ₹ 5000/-
03	Received cash ₹ 500/- and cheque ₹ 400/- for cash sales and deposited the cheque into Bank.
06	Paid by cheque for purchase ₹ 100/-
09	Paid Mr. Gopal by cash ₹ 680/- and he allowed discount ₹ 20/-



12	Received cash from Mr. Raghu ₹ 600/- in full settlement of his account of ₹ 630/-
14	With draw from bank for personal use ₹ 500/-
20	M/s Sham and Co. paid direct in to Bank A/c of M/s Janani Industries Ltd ₹ 7000/-.
23	Cash withdrawn from Bank for office use ₹ 1000/-
27	Discounted a bill at 1% through Bank ₹ 4,000/-
31	Paid staff salaries by cash ₹ 1000/-

- 3 a. What is Common size statement? (02 Marks)
b. Explain in brief various uses & limitations of Ratio. (06 Marks)
c. Assume that a firm owner's equity is ₹1 crore and the ratios of the firm are as follows :

Short term debt to total debt	= 0.40
Total debt to owners equity	= .60
Fixed assets to owners equity	= .60
Total assets turnover	= 2 times
Inventory turnover	= 8 times

From the above information complete the following balance sheet

(08 Marks)

Liabilities	₹	Assets	₹
Owners Equity	-	Fixed Assets	-
Long term debt	-	Inventory	-
Short term debt	-	Cash	-
Total	-	Total	-

- 4 a. List out the areas covered by Forensic Accounting. (02 Marks)
b. A firm purchases a leasehold property for a period of five years for ₹ 10,000/- on 1.1.2007. It decides to write off the lease by Annuity method presuming the rate of interest at 5% p.a. The Annuity table shows that the annual amount necessary to write off ₹ 1 at 5% p.a. is ₹ 0.230976. You are required to prepare the Lease Hold Property Account for five years and show the net amount to be charged to the profit & loss account for these five years. (06 Marks)
c. The following are summarized balance sheet of a company as on December 2006 and 2007.

Liability	2006 (₹)	2007 (₹)	Assets	2006 (₹)	2007 (₹)
Share capital	2,00,000	2,50,000	Land & Building	2,00,000	1,90,000
General reserve	50,000	60,000	Machinery	1,50,000	1,69,000
Profit & loss	30,500	30,600	Stock	1,00,000	74,000
Bank loan (long term)	70,000	-	Sundry Debtors	80,000	64,200
Sundry creditors	1,50,000	1,35,200	Cash	500	600
Provision for Taxation	30,000	35,000	Bank	-	8000
			Goodwill	-	5000
	5,30,500	5,10,800		5,30,500	5,10,800

Additional Information : During the year ended 31st December 2007.

- Dividend of ₹ 23,000 was paid.
 - Assets of another company were purchased for a consideration of ₹ 50,000 payable in shares. Following Assets were purchased : Stock ₹ 20,000 ; Machinery ₹ 25,000/-.
 - Machinery was further purchased for ₹ 8,000/-
 - Depreciation written off on machinery ₹ 12,000/-
 - Income tax provided during the year ₹ 33,000/-
 - Loss on sale of machinery ₹ 200 was written off to general reserve.
- You are required to prepare a cash flow statement. (08 Marks)

- 5 a. Distinguish between trade discount and cash discount. (02 Marks)