

13N704	Roll No. _____	Total No of Pages: 7
	13N704	
	MBA I Sem. (New Scheme) Main Exam., Dec. - 2019	
	M – 104 Accounts for Managers	

Time: 3 Hours

Maximum Marks: 70

Min. Passing Marks: 21

Instructions to Candidates:

PART A: Student has to attempt all 10 short answer type questions (up to 25 words).
Each question carries 2 marks. (10×2=20)

PART B: Student has to attempt 6 questions out of 8 questions (up to 100 words).
Each question carries 5 marks. (6×5=30)

PART C: Student has to attempt either 2 questions out of 3 questions (Analytical / Problem Solving questions / Design questions / Descriptive) or 1 case study related to subject. Each question carries 10 marks. (2×10=20) or case study carries 20 marks. (1×20=20)

Use of following supporting materials is permitted during examination.
(Mentioned in form No. 205)

1. NIL

2. NIL

PART- A

- Q.1 What is accounting cycle?
- Q.2 Why trial balance is prepared?
- Q.3 What is gross profit and how it is calculated?
- Q.4 Define balance sheet.
- Q.5 What is cost object?
- Q.6 Explain common size statement.
- Q.7 What are generally accepted cost accounting principles?
- Q.8 What is accounting equation?
- Q.9 Define current liabilities.
- Q.10 What is meant by cash and cash equivalents?

PART- B

- Q.1 Explain the concept of accounting concepts. Discuss any four accounting concepts.
- Q.2 Define cash flow statement. Why it is prepared?
- Q.3 What is accrual system of accounting? How it is different from cash system of accounting?
- Q.4 Define cost accounting. What are its objectives?
- Q.5 What is trend analysis? How it is done? Give hypothetical example.
- Q.6 Explain the term prime cost? How it is different from cost of goods manufactured? Give a suitable example.
- Q.7 Compare the financial ratios of the following companies and comment-

Ratios	A	B	C
Current ratio	2.75	2.65	2.70
Liquid ratio	2.00	1.90	1.50
Gross profit margin	17%	20%	19%
Operating profit margin	9%	12%	16%
Net profit margin	10%	11%	8%
Return on investment	14%	16%	12%
Fixed assets turnover ratio	7 times	5 times	8 times
Debt : equity ratio	3.50	3.00	4.00
Interest coverage ratio	4 times	5 times	4 times
Inventory turnover ratio	2.5 times	4 times	5 times

- Q.8 Following details have been revealed by the Rosy Toys Ltd.

- | | |
|-------------------------------|--------------|
| (1) Raw Material Consumed | ₹ 5, 80, 000 |
| (2) Labour | ₹ 3, 00, 000 |
| (3) Closing Stock of W. I. P. | ₹ 1, 78, 000 |

During the year 2,60,000 units were produced out of which only 2,20,000 units were sold at a total value of ₹ 16,00,000. There was no opening stock of W.I.P and finished goods. Administrative overheads is absorbed @ ₹ 1 per unit and selling and distribution overheads are absorbed @ ₹ 0.75 per unit. Prepare cost sheet.

PART-C

Q.1 Prepare final accounts using following trial balance and additional information.

TRIAL BALANCE

As on 31st March, 2019

S. No.	Name of Account	Debit Amount	Credit Amount
1	Owner's capital		3,40,000
2	Opening stock	24,000	
3	Closing stock	40,000	
4	Sundry debtors	50,000	
5	Sundry creditors		60,000
6	Bills payables		10,000
7	Bills receivables	70,000	
8	Factory supervisions	23,000	
9	Direct wages	46,000	
10	Rent of factory premises	65,000	
11	Office salary	45,000	
12	Stationery	3,000	
13	Advertising expenses	18,000	
14	Building	2,50,000	
15	Cash at bank	50,000	
16	Furniture	40,000	
17	Mortgage loan		80,000
18	Electricity charges	6,000	
19	Bank charges	500	
20	Commission	1,500	
21	Purchase and sales	2,50,000	4,92,000
	Total	9,82,000	9,82,000

Additional information

- (a) Goods of cost ₹ 30,000 purchased during the year duly recorded as purchase but not received in warehouse by the end of the year.
- (b) Depreciate building by ₹ 20,000.
- (c) Commission earned during the year but not received was ₹ 5,600.
- (d) Provide provision for doubtful debts at the rate of 4% on debtors.
- (e) Advertising expenses due but not paid ₹ 2,000.
- (f) Interest on mortgage loan @ 14 % p. a. for 6 months was due but not paid by the end of the year. <http://www.btubikaner.com>
- (g) Out of office salary ₹ 15,000 is relevant for next financial year.

Q.2 Rajanath Industries is producing only a single product details of which are as follows-

Opening Stock

Raw Material	₹ 57,500
W.I.P	₹ 25,618
Finished Goods	₹ 12,984

Closing Stock

Raw Material	₹ 49,875
W.I.P	₹ 27,390
Finished Goods	₹ 49,930
Purchase of Raw Material	₹ 51,670
Productive Wages	₹ 31,585
Direct expenses	₹ 2,577
Works expenses	₹ 16,846
Office overheads	₹ 8,000
Selling & Distribution overheads	₹ 57,995
Sales of finished goods	₹ 1,87,389

You are required to prepare cost.

Q.3 Managing director of ~~Bank~~ Co-operative Bank has received following facts from one of its client. Bank is considering to sanction a working capital loan this client.

Particulars	2018 (₹)	2019 (₹)
(A) Sources of Funds		
Share capital	4,50,000	6,50,000
General reserve	3,00,000	5,10,000
Profit and loss account	56,000	1,68,000
Sundry creditors	1,68,000	3,34,000
Provision for tax	75,000	1,10,000
Mortgage loan	-----	2,70,000
(B) Application of Funds		
Fixed assets	4,00,000	6,20,000
Investments	50,000	2,60,000
Stock	2,40,000	5,10,000
Sundry Debtors	2,10,000	4,55,000
Bank	1,49,000	1,97,000

Additional information

- (i) Investment costing ₹ 80,000 were sold during the year 2009 - 10 for ₹ 85,000.
- (ii) Provision for tax made during the year 2019 - 19 was ₹ 90,000.
- (iii) During the year part of the fixed asset costing (book value) 1, 00, 000 was sold for ₹ 1, 20, 000 and profit included in the profit and loss account.
- (iv) Dividend paid during the year 2018 - 19 was ₹ 3, 40, 000.

Required

You being credit officer of the bank are required to evaluate short term liquidity by preparing complete cash flow statement. And give your suggestion.

OR

CASE STUDY

Nirav keeps its accounting record on a cash basis during the year. At year end, it converts its book to the accrual basis for preparing its financial statements. At the end of 2018, Nirav reported the following post – closing trial balance after converting it to the accrual basis.

December 31, 2018 (accrual)

	<u>Debit</u>	<u>Credit</u>
Cash	2,700	
Accounts receivable	4,200	
Supplies	2,100	
Inventory	5,600	
Equipment	12,000	
Accumulated depreciation		4,800
Accounts payable (for inventory)		6,100
Salaries payable		500
Income tax payable		2,000
Common stock		7,000
Retained earnings		6,200

At the end of 2019, you are asked to convert Nirav's books from cash basis to accrual basis and prepare a balance sheet and income statement on an accrual basis. To do this, you are provided with the following information. You are provided with the following information as of December 31, 2019.

Cash receipts from customers	67,300
Cash payments:	
To vendors (for inventory)	30,600
To employees	15,500
For prepaid supplies	2,500
For other operating expenses	5,500
To stockholders (dividend)	6,000

For the 2018 income tax liability that was paid on March 15, 2019 with tax returns 2,000

Other information:

Customer owed Nirav	5,900
Nirav owed vendors (for inventory)	7,000
Nirav owed employees	900
Physical count of Inventory	6,300
Physical count of Supplies	1,000
Income tax rate for 2019	25%

Nirav depreciates its equipment using the straight – line method over 10 years with no salvage value. Assume that the balance given for other Operating Expenses (OE) is the same for both cash and accrual.

Required: Convert cash basis of accounts to accrual basis accounts by adjusted method and show both cash basis profit and accrual basis profit. Also prepare balance sheet for the year ending December 2019.

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