

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER-I • EXAMINATION – SUMMER • 2014

Subject Code: 810001

Date: 19-05-2014

Subject Name: Accounting for Managers (AFM)

Time: 14.30 pm - 17.30 pm

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

- Q.1 (a)** What are the accounting concepts and conventions? Name them and explain any two accounting concepts in detail. **07**
- (b)** Define Accounting; Discuss in brief how it is useful to end users of accounting information. **07**
- Q.2 (a)** Calculate EPS & PE ratio from the following data **07**
- | | Rs. |
|---|-----------|
| Profit After Tax | 12,00,000 |
| 10% Preference Share Capital of Rs. 10 each | 20,00,000 |
| Equity Share Capital of Rs. 10 each | 20,00,000 |
| Market Price per Equity Share | 20 |
- (b)** Journalise following transactions in the books of HM Traders: **07**
- | | Rs. |
|--|--------|
| Jan. 1 Jainil started business with cash | 40,000 |
| Jan. 5 Purchased goods on credit from Patel & Co. | 8,000 |
| Jan. 10 Machinery purchased | 4,000 |
| Jan. 12 Goods sold to Suresh Enterprises | 6,000 |
| Jan. 16 Salaries Paid | 1,400 |
| Jan. 20 Rent Received | 600 |
| Jan. 21 Goods purchased from Ruchit Traders for cash | 8,000 |
- OR**
- (b)** (i) A company has invested a substantial amount in the shares of another company under the same management. The market price of the shares of the aforesaid company is about half of that at which these shares were acquired by the company. The management is not prepared to provide for the fall in the value of shares on the ground that the loss is only notional till the time the shares are actually sold. Comment. **07**
- (ii) Sujana Textiles Ltd. sought advice of an investment advisor for deployment of surplus funds of around Rs. 18 lakhs in the stock market. The advisor advised to invest in Tata Steel Ltd. and charged Rs. 5,000 as his fees. Accordingly, the investing company bought 5,000 equity shares of Tata Steel Ltd. @ Rs. 356 per share from NSE through stockbroker, Tracom Stock Brokers Ltd. The broker charged a brokerage of 0.50%. Determine the cost of this investment.

Q.3 From the following information of Manthan Co. Ltd. Prepare final accounts of the company for the year ended on 31st March, 2013:

14

Debit Balances	Rs.	Credit Balances	Rs.
Building	30,72,000	Share Capital	40,00,000
Plant	33,00,000	12% Debentures	30,00,000
Stock	7,50,000	P&L A/c.	2,62,500
Debtors	8,70,000	Bills Payable	3,70,000
Goodwill	2,50,000	Creditors	4,00,000
Cash & Bank	4,06,500	Sales	41,50,000
Calls in arrears	75,000	General Reserve	2,50,000
Interim Dividend paid	3,92,500	Bad Debts Provision on	
Purchases	18,50,000	1-4-2012	35,000
Preliminary expenses	50,000		
Wages	9,79,800		
General Expenses	68,350		
Salaries	2,02,250		
Bad debts	21,100		
Debentures Interest paid	1,80,000		
	1,24,67,500		1,24,67,500

Additional Information:

- Depreciate plant by 15%
- Write off Rs. 5000 from Preliminary Expenses
- Debenture interest is outstanding/due for 6 months.
- Provide 5% for bad debts
- Stock on 31st March, 2013 was Rs. 9,50,000

OR

Q.3 (a) Prepare Trading Account, Profit & Loss Account and Balance sheet as on 31st March, 2008 from the following details:

07

Debit Balances	Rs.	Credit Balances	Rs.
Purchases	1,50,000	Sales	2,25,000
Opening Stock	25,000	Rent received	2,000
Carriage Inward	2,500	Creditors	20,000
Salaries	12,000	Provisions for bad &	
Carriage outward	4,000	doubtful debts (1-4-99)	500
Administrative		Capital	1,17,500
Expenses	12,500	Sales tax collected	20,000
Debtors	25,000		
Bad debts	2,000		
Returns Inward	5,000		
Land & Building	1,20,000		
Cash in hand	2,000		
Cash at bank	7,000		
Sales tax paid	18,000		
	3,85,000		3,85,000

Additional information:

- Closing stock on March 31, 2008 amounted to Rs.20,000
- Further bad debts amounted to Rs.5,000. Provide 5% for bad & doubtful debts.
- Charge depreciation on land and building @ 5% p.a.

(b) Discuss in brief significance of Ratio Analysis

07

- Q.4 (a)** From the following information prepare Common Size Income statement and give your comment. **07**

	31-03-2011	31-03-2012
	Rs.	Rs.
Sales	10,00,000	8,00,000
Cost of Goods Sold	6,00,000	4,00,000
Adm. Selling and Distribution Expenses	2,00,000	1,40,000
Other Income	40,000	20,000
Income Tax	1,20,000	1,40,000

- (b)** Calculate the trend percentage from the following figures of Rohan & Co. Ltd. & give your comment. The year 2008 is taken as the base year **07**

(Rs. in '000)

Year	Sales	Cost of Goods Sold	Gross Profit
2008	2000	1400	600
2009	2500	1800	700
2010	3000	2200	800
2011	3500	2600	900
2012	4000	3000	1000

OR

- Q.4 (a)** (i) Manush Chemicals Ltd. has provided the following information: **07**

Rs. in '000

	2007-08	2008-09
Net Operating Cash Flows	2,000	2,400
Borrowings	8,000	9,000
Equity Share Capital	1,000	2,000
General Reserves	5,000	7,000
Dividend % on face value	50%	40%
Average Interest Rate	10%	9.5%

Find out finance charge coverage ratio. Will the lender be comfortable with this ratio?

(ii) The current ratio of a company is 2:1. Which of the following suggestions would improve the ratio, which would reduce it and which would not change it; justify your answer:

- To pay a current liability
 - To sell a motor car for cash at a slight loss
 - To borrow money for short time on an interest bearing promissory note
 - To purchase stock for cash
 - To give a promissory note to a creditor to whom money was owed.
- (b)** Discuss in brief the meaning and objectives of Financial Statement Analysis. **07**

- Q.5 (a)** Discuss in brief Du Pont chart and its utility in understanding the breakup of ratios. **07**

- (b)** Write a short note on Human Resource Accounting. **07**

OR

- Q.5 (a)** What do you mean by the term 'depreciation'? What are its causes? Why do firms provide depreciation? **07**

- (b)** Write a short note on IFRS. **07**
