Seat No.: _____ Enrolment No._____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA. Sem-I Regular / Evening Examination January/ February 2011

Subject code: 810001 **Subject Name: Accounting for Managers**

Date: 29 /01 /2011 **Time: 10.30 am – 01.00 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) Explain the following :concepts:: **07**

i) The Entity Concept
ii) Accrual concept
iii) Realisation Concept

(b) Arpit Industries Ltd purchased a machine . Details are as follows : **07**

List Price ;Rs.5,00,000 . Trade Discount Rs.10,000 : Sales Tax and Excise Duty : Rs60,000 : CENVAT Credit available on Excise Duty Included Above Rs.40,000 :.Transportation Charges to Factor Site Rs.2500 : Special Foundation and Installation Charges :Rs:7,500

Expected Useful life (Years) 5 : Consideration Expected on Disposal Rs.28,000.

Estimated Cost of Removal of the Machine for Disposal Rs.2,000.

You are required to find out :

1. Cost of Machine
2. Determine the rate of depreciation as per SLM
3. Determine the annual depreciation and accumulated depreciation for all the yeas as per SLM

Q.2 (a) With reference to the following items , distinguish accounting treatment under IASs(now IFRS) , Indian GAAP and US GAAP . **07**

1.Cash and Cash Equivalent
2.Depreciation
3.Miscellaneous Expenditure

(b) Given hereunder are the details of equity capital and profit etc., of PQR Ltd for the years 2005-06 and 2006-07 . Determine BEPS for both the years under the following 3 exclusive situations : **07**

1. Bonus issue on 1st January 2007 in the ratio of 2 : 1
2. Share split on 1st January 2007 from Rs.10 FV to Rs.5 .
3. Share consolidation on 1st January 2007 from Rs.10 FV to Rs.100 .

	Rs. And NO of Shares (in crores)	
	2006-07	20005-06
Net Profit	54.60	33.50
Preference Dividend and tax thereon	2.24	2.24
No of Equity Shares outstanding until 31st Dec 2006		2.50

OR

(b) . " Quality of earnings suffers from certain limitations of financial statements " . Critically examine . **07**

Q.3 (a) Discuss in detail about salient aspects of Accounting Standard 1(issued by the Institute of Chartered Accountants of India) dealing with disclosure of accounting policies .Give a suitable example . **07**

(b) XYZ Ltd has the following details for its semi-finished products : **07**

Product	Net Realisable Value	Degree of Completion	Raw materials Cos per Unit (Rs)	Conversion Costs per unit
A	50	70	25	13
B	60	50	30	12
C	50	30	40	12

Find out the value of work in progress on a per unit basis . It is assumed that raw materials have been fully consumed for these semi-finished products . Hence , only process costs are not fully incurred .

OR

Q.3 **(a)** Write short notes on : **07**

i. Miscellaneous Expenditure and Debit Balance of P&L Account
ii. Shareholders funds
iii. Capital Reserves

(b) X Ltd has the following portfolio of investments as on 31st March 1998 **07**

(Rs. in thousand)

	Cost	Market Value
Current Investments		
Shares of A Ltd	250	265
Units of UTI	160	160
Shares of C Ltd	125	100
	535	525
Long Term Investments		
Shares of Y Ltd (subsidiary	200	210
Shares of Z Ltd	150	130
Shares of W Ltd (subsidiary)	80	10
	430	350

Compute the value of investment for balance sheet purpose assuming the fall in value of investment in Z Ltd as temporary and that of W Ltd as permanent .

Q.4 The following is the Trial Balance of XP Finance Ltd as on 31st March 2006 **14**

S.No	Account Head	Amount (Rs.)	
		Debit	Credit
1	Share Capital		4,00,00,000
2	Share Premium		1,00,00,000
3	Investments : Equity shares of NC Ltd	49,75,000	
4	Cash at Bank in Current Account	18,550	
5	Fixed Deposits with banks	10,55,367	
6	Cash in Hand	1,256	
7	Tax deducted at source	37,420	
8	Expenses payable		21,050
9	Preliminary expenses	32,840	
10	Balance in Profit and Loss Account 1-04-2005	4,28,23,210	
11	Loss on sale of investments	11,25,775	
12	Interest on fixed deposits with Banks		54,278
13	Bank Charges	110	
14	Legal and Professional charges	4,600	
15	Stationary	1,200	
	Total	5,00,75,328	5,00,75,328

Further information :
Authorised share capital of the company is 50,00,000 equity shares of Rs.10 each
20,00,000 shares were issued at a premium of Rs.5 each
Interest accrued on fixed deposits with banks for the year Rs.364
Audit fee for the year payable Rs.5,000
Other expenses payable for the year :
Legal and Professional charges Rs.4,400
Travelling and conveyance expenses Rs.2,250
Preliminary expenses to be written off Rs.16,420
Required :
Prepare the following financial statements of XP Finance Limited :
Balance sheet as at 31st March 2006
Profit and Loss account for the year ended 31st March 2006
Profit and Loss Appropriation account for the year ended 31st March 2006
Briefly comment on the performance of the company

OR

Q.4 Consider the Balance Sheet of Jai Prakash Ltd as on 31st December ,2008 (Rs. Lakhs) **14**

	31.12.2008	31.12.2007
Sources of Fund		
Shareholders funds		
Share Capital (equity shares of Rs.10 each)	2250	1500
Reserves and Surplus		
General Reserve	600	450
Share Premium	750	300
Profit & loss balance	360	185
Loan Funds		
14% secured debentures	350	150
Long-term borrowings from banks	150	200
Cash Credit	250	150
Total sources	4710	2935
Application of Funds		
Fixed Assets		
Gross Block	2950	1950
Less: Accumulated Depreciation	1025	775
Net Block	1925	1175
Capital – work in progress	450	250
Investments		
Long -term	275	225
Medium-term	190	145
Short-term (less than three months)	90	55
Current Assets , Loans and Advances		
Inventories		
Raw materials	210	265
Semi-finished goods	110	65
Finished goods	300	215
Sundry debtors	525	385
Cash and bank balances	178	56
Advance tax	215	155
Other Loans and Advances	767	419
Less : Current Liabilities and Provisions		
Sundry creditors	90	105
Interest payable	25	50
Provision for tax	190	155
Proposed dividend	200	150
Tax on dividend	20	15
Net current assets	1780	1085
Total Applications	4710	2935

Other Information :
Interest expenses during the year was Rs.115 lakhs of which only Rs.90 lakhs was paid during the year .:Internet expenses relating to prior period of Rs.50 lakhs was also paid during the year: .Assessment for 2007 was completed in September 2008 . The final liability was settled at Rs.145 lakhs and the income tax department has paid the refund for excess tax paid . The refund amount is credited to advance tax account . Profit on sale of fixed assets of Rs.45 lakhs credited to General Reserves .:Original cost of fixed assets sold Rs.100 lakhs :Depreciation charged to P & L account during the year Rs.300 lakhs . .During the year equity shares of Rs.50 lakhs were repurchased by the company at a premium of Rs.50 lakhs .Share premium balances were utilised for premium portion of repurchase .
Interest received (tax deducted at source Rs.15 lakhs) Rs.45 lakhs

a. Dividend received Rs.75 lakhs
b. Tax deducted source from interest received is included in advance tax balance as on 31st December 2008 .

Prepare cash flow statement for the year

Q.5 (a) Consider the following details **07**

DESCRIPTIONS	2000-2001	1999-2000	1998-1999
Profit after tax (Rs. Million)	550	510	470
Equity shares outstanding at the beginning of the year (number in million)	60	40	40
Bonus issue on 01.12.1999 @1:2 (number in million)		20	
Right issue (number in million) on 01.10.2000 @ Rs.30 per share (Face Value Rs.10) of one share for every six held on that date . Pre-right fair value per share Rs.50	10		

Calculate EPS for year 2000-2001 and comparative EPS for past two years

(b) Explain in detail strengths of US GAAP and key benefits to companies complying with US GAAP. Can you say US GAAP is popular among Indian industry? **07**

OR

Q.5 (a) Consider the following data of two companies **07**

Description	A Limited	B Limited
PAT (Rs. Lakhs)	85	(5)
Interest on long-term losses (Rs lakhs)	40	25
Cash flows from operating activities after tax { before deducting interest }(Rs.lakhs)	65	45
Long term loans at the end of year (Rs lakhs)	200	125
Instalments paid during the year	40	20
Equity (Rs lakhs)	225	100

Calculate long-term solvency ratios . Comment upon any abnormality observed .

(b) Define term ‘ Related Party ‘ and explain in brief about ‘ Related Party disclosures ‘ under AS – 18 . **07**

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