# GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER I – • EXAMINATION – SUMMER 2015

Subject Code: 2810001					Date: 30/05/2015		
Time: 14 Instruction 1.	4:30 ons: Att Ma	pm To 17: empt all ques ke suitable as	_	ary.	Total Marks: 70		
Q. 1 (a)	Question Text and Option.					6	
	If a firm borrows a sum of money, there will be:						
1.	A.		Increase in capital	B.	Decrease in capital		
	C.		No effect on capital	D.	Depends on the situation		
	Which of the following is a cash transaction?						
2.	A. C.		Sold goods Sold goods to Shyam on credit	B. D	Sold goods for cash Sold goods to Shyam on account.		
3.	Prov Deb	vision for Do		esired to	mation: Bad debts ₹ 1000, make a provision for Doubtful to de debited to the profit & loss  ₹5,000 ₹3,500		
4.	The of to	The ratio which is good indicator to maintain the correct selling price and efficiency of trading activities is					
т.	A. C. IFR	S stand for	Net Profit Ratio Current Ratio	B. D.	Gross Profit Ratio Liquid Ratio		
5.	A. C.		International Financial Reporting Standards Institute of Financial	B. D.	Institute of Finance and Regulation System International Finance Rules &		
	Reporting Standards Standards. Accounting Standard ( AS ) 6 is for						
6.	A.	ounting Stan	Disclosure of Accounting Policies	B.	Depreciation Accounting		
	C.		Valuation of inventories	D.	Accounting for Fixed Assets		
Q.1	<b>(b)</b>	ii) What is iii) How wi	mples of real accounts. common size statement? Il you differentiate between e the disclosure requiremen?			04	
0.1	(c)	Write a not	e on: Entity Concept and M	onev Me	easurement Concept	04	

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Q.2	(a)	What is meant by Generally Accepted Accounting Principles (GAAP)? Differentiate between Indian GAAP and IFRS.					
	(b)	Mr. Sitaram has started a company to carry on the business of selling fast-food. Following are the transaction for the month of November. Journalized the transactions:	07				
		November 1: Commence business with cash of ₹2,00,000.					
		November 3: Opened a current account with Bank of Baroda for \$\overline{\xi}\$ 1,00,000					
		November 8: Purchased office equipments. Paid Cash. Of \$\overline{x}\$ 60,000					
		November 9: Purchase materials worth 30,000.					
		November 10: Sold 100 packs of pizza for \$\overline{\chi}\$ 50,000					
		November 14: Issued cheque of \$\frac{1}{3}25,000\$ to Mr.Sitaram for his personal use.					
		November 16: Paid ₹ 20,000 for office rent.					
		OR					
	(b)	<ul> <li>Kanpuria Investments Ltd. holds 6000 shares of Fair price corporation Ltd. It acquires 5000 shares of Winner Ltd from Option Finance Ltd in exchange for these shares. Determine the cost of shares acquired by Kanpuria Investments under the following three situations: <ol> <li>i) If shares of both Fair Price Corporation Ltd and Winner Ltd were listed at BSE and their market price on the day of the deal was 225 and 285 share respectively.</li> <li>ii) If Winner Ltd were unlisted and therefore its market value were not known.</li> <li>iii) If Fair Price Corporation Ltd were unlisted.</li> </ol> </li></ul>	07				
		Also consider brokerage of Re.1 per share.					
Q.3	(b)	Explain Disclosure of Accounting Policies (AS-1) giving suitable examples. Silver Ltd purchases on 1 <sup>st</sup> Jan 2011, second hand plant for \$\frac{1}{3}\$ 30,000 and immediately spent \$\frac{1}{2}\$ 20,000 in installing it. On 1 <sup>st</sup> July 2011, additional machinery costing \$\frac{1}{2}\$ 25,000 was purchased. On 1 <sup>st</sup> July 2013 the plant purchases on 1 <sup>st</sup> Jan 2011, became obsolete and was sold for \$\frac{1}{1}\$ 10,000.On that date new machinery was purchased at a cost of \$\frac{1}{5}\$ 60,000.Depreciation was provided for annually on 31 <sup>st</sup> Dec @10 % p.a. on the original cost of the asset. In year 2014 however, the company charged this method of providing depreciation and adopted the method of writing off 15 % on the diminishing value. Show the machinery account as it would appear in the books of the company for the year 2011 to 2014.  OR	07 07				
Q.3	(a)	Explain Accounting for Intangibles (AS-26). Also state the conditions to be satisfied for an intangible asset to be recognized in the balance sheet as an asset.	07				
	(b)	Diamond Ltd furnished the following information. The gross profit is 20 % on net sales. The figure for January 2014 are given below:  Stock on 1 <sup>st</sup> Jan    50,000  Purchases    71,10,000  Purchases return    6,000  Gross Sales    1,70,000  Sales Return    15,000  Calculate the estimated cost of the stock at 31 <sup>st</sup> Jan 2014.	07				
Q.4	(a)	Explain the tools for analyzing financial statement.	07				

(h) From the following Balance Sheets of ABC Ltd on 31.12.2012 and 2013, you are

required to prepare Funds flow Statement:

Liabilities	2012	2013	Assets	2012	2013
	₹	₹		₹	₹
Share Capital	2,00,000	2,00,000	Goodwill	24,000	24,000
Gen. Reserve	28,000	36,000	Building	80,000	72,000
P & L a/c	32,000	26,000	Plant	74,000	72,000
Creditors	16,000	10,800	Investments	20,000	22,000
Bills Payable	2,400	1,600	Stock	60,000	46,800
Provision For	32,000	36,000	Bills	4,000	6,400
tax			Receivable		
Provision for	800	1,200	Debtors	36,000	38,000
doubtful debts					
			Cash &	13,200	30,400
			Bank		
	3,11,200	3,11,600		3,11,200	3,11,600

### Additional Information:

- Depreciation provided on plant was \$\,\bar{\\$}\,8,000\) and on building \$\,\bar{\\$}\,8,000\).
- Provision for taxation made during the year \$\frac{1}{38,000}\$.
- Interim dividend paid during the year \$\frac{1}{3}\$ 16,000.

What is Trend analysis? State its objectives and advantages of using the same. 0.4

07 **07** 

From the following data of Veer Ltd, prepare Profit & Loss A/c and Balance Sheet in vertical form: Also show necessary schedules where ever required.

Particulars	Amt (Debit)	Amt( Credit)
Share Capital		40000000
Share Premium		10000000
Investments: Equity shares of PQR Ltd	4500000	
Cash in current account	65,000	
Fixed deposits with banks	1250000	
Cash in hand	20,000	
Advance tax paid	43,800	
Expenses payable		20,000
Preliminary expenses	50,000	
Balance in profit and loss accounr, 1.04.2014	42955200	
Loss on sale of investments	1200000	
Interest on fixed deposits with banks		90,000
Bank charges	4000	
Legal and Professional charges	12000	
Stationary	10000	
	50.110.000	50,110,000

### Further information:

- 1. Authorized share capital of the company is 75,00,000 equity shares of
- 20,00,000 shares were issued at a premium of  $\sqrt[3]{5}$  each. 2.
- Interest accrued on fixed deposits with bank for the year  $\sqrt{1,50,000}$ . 3.
- Audit fee for the year payable for \$\frac{1}{12,000}\$. 4.
- Other expenses payable for the year: 5.
  - Legal and professional charges ₹ 10,000.
  - Travelling and conveyance expenses \$\foat{5,000}.
- Preliminary expenses to be written off \( \frac{1}{25,000}.
- Two ventures- AB Ltd. And XY Ltd.- jointly control production and marketing **Q.5** of a consumer product 'Beauty'. AB Ltd is responsible for manufacturing

'Beauty' and XY Ltd.is responsible for sales and distribution of 'Beauty'. Both AB Ltd. and XY Ltd. have their own separate businesses. But they have decided to jointly control the operations of product 'Beauty'. AB Ltd. Invested ₹ 40 million in acquiring necessary machinery to manufacture' Beauty' and XY Ltd. Invested ₹ 20 million in setting up the marketing network for the product 'Beauty'. AB Ltd. Purchases raw materials worth of ₹ 10 million for manufacturing the product during the year. AB Ltd. is entitled to 60 % of net income from the venture. XY Ltd. Is responsible for incurring all related expenses for marketing product 'Beauty'.

During the year, total sales value of 'Beauty, was ₹ 85 million. The operating cost of the product (% of sales) was 75 %. Operating cost includes depreciation on machinery of ₹ 5 million and selling and distribution expenses of ₹ 25 million. State how these transactions would be recorder in the books of AB Ltd. And XY Ltd.?

## OR

- Q.5 (i) Company Monalisha enters into an agreement with company Nine Eleven to deliver Monalisha's products to Nine Eleven on consignment basis. Company Monalisha delivers product to company Nine Eleven under the terms of their arrangement. Can Monalisha recognize revenue upon delivery of its product to Nine Eleven.
  - (ii) Company Monalisha has product available to ship to customers prior to the end of the accounting year. Company Nine Eleven places an order orally for the product with Monalisha and the product is delivered prior to the end of current accounting year. Company Monalisha's normal business practice is to enter into a written sales agreement duly signs by the authorized representative of both the company Monalisha and its customer. In this case, Monalisha prepares and signs the sales agreement before the end of the year, but company Nine Eleven could not sign the agreement awaiting requisite approval from its legal department. Company Nine Eleven's purchase department has orally agreed to the sale and stated that it is highly likely the contract will be formally approved in the first fortnight of the immediately next accounting year. Can Monalisha recognize the revenue in the current accounting year?

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