

GUJARAT TECHNOLOGICAL UNIVERSITY**M.B.A -Ist SEMESTER-EXAMINATION –JUNE- 2012****Subject code: 810001****Date: 07/06/2012****Subject Name: Accounting for Managers (AFM)****Time: 02:30 pm – 05:30 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) “Financial Statements are the most important part of financial reporting” 07

Discuss the above statement giving the objectives of financial statement and the contents of the various components of the financial statements.

(b) From the following trial balance of Mr. A prepare a Trading, Profit & Loss Account and Balance Sheet for the year ended on 31st March, 2004. 07

Trial Balance as on 31-03-04			(Rs. In '000)
	Dr.		Cr.
Purchases	21,750		
Discount allowed	1,300		
Wages	6,500		
Sales			30,000
Salaries	2,000		
Travelling Expenses	400		
Commission	425		
Carriage inwards	275		
Administration expenses	105		
Printing exp.	600		
Interest	250		
Building	5,000		
Furniture	200		
Debtors	4,250		
Capital			13,000
Creditors			2,100
Cash	<u>2,045</u>		
	<u>45,100</u>		<u>45,100</u>

Stock on 31-03-2004 was Rs, 60,00,000.

Q.2 (a) Discuss the WDV and SLM methods of depreciation. Also mention the major provisions of the Income Tax Act regarding depreciation. 07**(b) “As per the revised Accounting Standard – 2 issued by ICAI, FIFO & WAC methods are recognized methods for inventory valuation”. Explain the FIFO & WAC methods of inventory valuation. 07****OR****(b) A company purchased raw materials during the month of March 2007 as stated below : 07**

March	2,	1,600 units @ Rs. 60 per unit
	8,	2,400 units @ Rs. 55 per unit
	11,	5,000 units @ Rs. 57 per unit
	19,	6,000 units @ Rs. 54 per unit
	23,	3,000 units @ Rs. 58 per unit
	30,	2,000 units @ Rs. 63 per unit

While preparing final accounts on 31st March 2007 the company had

2,600 units of raw materials in its godown.

You are required to calculate the values of closing stock of raw materials according to

- (a) First-In-First-Out Method
- (b) Last-In-First-Out Method
- (c) Weighted Average Method

- Q.3** (a) Briefly explain the meaning and significance of Cash Flow Statement and also the benefits to the users of Cash Flow Statement. **07**
- (b) ABC Co. provides you with this Profit and Loss Account and Balance Sheet for the previous two years. The directors are interested in tracking down the activities that generated cash inflows during the year ending 31st March, 2005. Prepare a Cash Flow Statement based upon the following details. **07**

ABC Co. Balance Sheet as at 31 st March, 2005		
		(Rs. in '000)
ASSETS	2004	2005
Land	4,00,000	5,00,000
Investments	2,00,000	--
Machinery	1,50,000	3,00,000
Cash in Hand	<u>41,000</u>	<u>2,00,000</u>
	<u>7,91,000</u>	<u>10,00,000</u>
LIABILITIES	2004	2005
Equity share capital	2,50,000	5,00,000
Preference share capital	50,000	20,000
Debentures	1,00,000	40,000
Long-term borrowing	--	30,000
Net Profit	1,00,000	1,19,000
Reserves and surplus	<u>2,91,000</u>	<u>2,91,000</u>
	<u>7,91,000</u>	<u>10,00,000</u>

ABC Co.			
Profit and Loss account for the year ending 31 st March, 2005			
		(Rs. in '000)	
Purchase (Cash)	15,000	By Sales (Cash)	30,000
Salaries & wages	5,000	By Interest Received	10,000
Income Tax	1,000	By Dividend Income	15,000
Debenture Interest	6,000		
Div. (Pref. Share)	3,000		
Div. (Equity Share)	6,000		
Net Profit	<u>19,000</u>		
	<u>55,000</u>		<u>55,000</u>

OR

- Q.3** (a) "Auditors report and Directors report are mandated by Companies Act" **07**
– Discuss the significance and implication of Auditors report.
- (b) The following ledger balances were extracted from the books of VXL as on 31st March 2006. **07**
Land and Building Rs. 2,00,000, 12% debentures Rs. 2,00,000, share capital Rs. 10,00,000 (equity shares of Rs. 10 each fully paid up) Plant and Machinery Rs. 8,00,000, Goodwill Rs. 2,00,000, Investment in shares of R Ltd. Rs. 2,00,000, General Reserve Rs. 2,00,000, Stock in trade Rs. 1,00,000, Bill receivable Rs. 1,00,000, Debtors Rs. 1,50,000, Creditors Rs. 1,00,000, Bank loans (Unsecured) Rs. 1,00,000, Provision for taxation Rs. 55,000, Discount on issue of 12% debentures Rs. 5,000,

Proposed dividends Rs. 1,00,000. You are required to prepare the Balance Sheet of company as per Schedule-VI Part-I of the Companies Act-1956.

- Q.4 (a)** “It is prudent to confirm the findings of Horizontal Analysis, by using Trend Analysis”. Do you agree with above statement ? Why ? **07**
- (b)** Following are the Balance Sheets of BKC Ltd. for the year ended December 2006 and 2007. **07**

ASSETS	2006	2007
Fixed Assets (Net)	1,20,000	1,75,000
Stock	20,000	25,000
Debtors	50,000	62,500
Bills receivable	10,000	30,000
Prepaid expense	5,000	6,000
Cash at Bank	20,000	26,500
Cash in Hand	<u>5,000</u>	<u>15,000</u>
	<u>2,30,000</u>	<u>3,40,000</u>
LIABILITIES	2006	2007
Equity capital	1,00,000	1,65,000
Pref. Capital	50,000	75,000
Reserves	10,000	15,000
P & L A/c	7,500	10,000
Bank O.D.	25,000	25,000
Creditors	20,000	25,000
Provision for Taxation	10,000	12,500
Proposed dividend	<u>7,500</u>	<u>12,500</u>
	<u>2,30,000</u>	<u>3,40,000</u>

Prepare a Common-size Balance Sheet and interpret the same

OR

- Q.4 (a)** Give the major ratios which help in analyzing the profitability and liquidity position of a firm. **07**
- (b)** Total current liabilities are Rs. 80,000 current ratio is 2.5:1. Acid test ratio 1.5:1. Total current assets include stock, debtors and cash only. Cash is 2/3 of debtors. Calculate debtors & cash. **07**

- Q.5 (a)** Define Human Resource Accounting giving its objectives and advantages. **07**
- (b)** Explain Responsibility Accounting giving the various types of responsibility centres. **07**

OR

- Q.5 (a)** Write a short note on – Relevance of Environmental Accounting. **07**
- (b)** “Due to globalization of economies, it is imperative to have uniform global financial reporting” – Discuss giving the significance of IFRS. **07**
