

GUJARAT TECHNOLOGICAL UNIVERSITY**SEMESTER– 1 EXAMINATION – WINTER 2012****Subject code: 2810001****Date: 03/01/2013****Subject Name: Accounting for Managers (AFM)****Time:14:30 – 17:30****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) Who are the users of accounting information, and why do the users need accounting information? How this information helpful to the users? **07**
- (b) Explain the following: concepts: **07**
- i) Business Entity Concept
 - ii) Conservatism concept
 - iii) Going Concern concept
- Q.2** (a) Journalise the following transactions in the books of M/s. Karan & Co. **07**
- January, 2012
- 5, Purchased goods worth Rs. 20000 for cash @ 10% trade discount and 5% cash discount.
- 7, Sold goods to Mr. Niku Rs. 16000 @ 5% trade discount and 5% cash discount.
- 10, Purchased furniture worth Rs. 40000 and paid installation charges Rs. 4000.
- 16, Paid wages Rs. 16000 and salary Rs. 6000 by cash and cheque respectively.
- 19, Received interest Rs. 390 through cheque.
- 25, Cash sales Rs. 2000, cash purchase Rs. 16000.
- 28, Paid Rs. 1,000 for advertisement to Ace Advertising
- (b) Cost of Production of product X is given below **07**
- | | |
|-----------------------|---------------|
| Raw Material per unit | Rs. 120 |
| Wages per unit | Rs. 80 |
| Overhead per unit | <u>Rs. 50</u> |
| | Rs. 250 |

As on the balance sheet date the replacement cost of raw material is Rs.110 per unit. There were 1000 units of raw material on 31.03.2002.

Calculate the value of closing stock of raw material in following conditions :

- a) If finished product is sold at the rate of Rs. 275 per unit, what will be value of closing stock of raw material?
- b) If finished product is sold at the rate of Rs. 230 per unit, what will be value of closing stock of raw material?

OR

- (b) Discuss in brief the various levels of categories of enterprises with reference to applicability of Accounting Standards. **07**
- Q.3** (a) (p)XYZ Construction (India) Ltd. uses horses to transport material from one place to another place on hilly area where construction activity is going on. It purchased horses worth Rs. 80,000 for transporting material on 01.04.2001. Useful life of horses was estimated 5 years, therefore company decided to write off depreciation on horses as per SLM over 5 years. Comment with reference to AS-6. **07**
- (q) Whether Depreciation on plant and machinery can be included in

closing stock value of finished goods if it is :

- i) Provided
- ii) Not provided

with reference to AS-2.

- (b) From the following Trial Balance of Mehal Industries Co. Ltd., prepare a Trading A/c, P & L A/c and P & L Appropriation A/c for the year ended on 31st march, 2008 and Balance Sheet as on that date after making the necessary adjustments. 07

Particulars	Dr.(Rs.)	Cr.(Rs.)
10% Preference share capital		1000000
Equity share capital		5000000
Reserve Fund		500000
6% Debentures		2000000
Goodwill	150000	
Machinery	1000000	
Building	5000000	
Investments	2000000	
Debtors & Creditors	1000000	500000
Purchases & Sales	6000000	9400000
Cash & Bank	100000	500000
Goods Returned	1000000	500000
Interest on Debentures & Interest on Investments	120000	300000
Salaries	960000	
Rent, Rates & Insurance	240000	
General expenses	380000	
Depreciation of Fixed Assets	300000	
Opening stock	1500000	
Bad Debts Reserve	----	50000
	19750000	19750000

Other information:

- (1) Stock on 31-3-2008 was Rs. 2000000.
- (2) Write off Rs. 50000 as bad debts and provide Rs.50000 as bad debts reserve for debtors.
- (3) Make provisions for taxation Rs. 640000.
- (4) Transfer to Reserve Fund Rs.300000.
- (5) Board of Directors has proposed to pay 5% dividend on equity shares.

OR

- Q.3 (a) A Plant was depreciated under two different methods as under :- 07

Rs. in Lacs

	Straight Line Method	Written Down Value
1 st year	3.90	10.69
2 nd year	3.90	7.90
3 rd year	3.90	5.84
4 th year	<u>3.90</u>	<u>4.32</u>
	<u>15.60</u>	<u>28.75</u>
5 th year	<u>3.90</u>	<u>3.19</u>

Required :

- (a) If the company followed WDV for first four years and decides to switch over to SLM, what would be the amount of resultant surplus / deficiency and its treatment in Income statement?
- (b) If the company followed SLM for first four years and decides to switch over to WDV, what would be amount of resultant surplus/deficiency and its treatment in Income statement?

- (b) The following is the Trial Balance of XYZ Enterprise Ltd. as on 31st March, 2009. Prepare a Trading A/c, P & L A/c and P & L Appropriation A/c for the year ended on 31st March, 2009 and a Balance sheet as on that date. 07

Debit Balances	Amt. (Rs.)	Credit Balances	Amt. (Rs.)
Investment	50,000	Eq. Share Capital	4,00,000
Land and Building	12,00,000	General Reserve	12,07,000
Machinery	3,00,000	Sales	5,62,000
Furniture	1,00,000	Sundry Creditors	25,000
Custom Duty	5,000	Profit on Consignment	15,000
Wages	30,000	Bank Loan	45,000
Salaries	45,000	Dividend	6,000
Insurance	3,000		
Purchases	3,60,000		
Bills Receivable	20,000		
General Expenses	7,000		
Sundry Debtors	60,000		
Opening Inventory	50,000		
Cash at Bank	20,000		
Cash in hand	10,000		
	22,60,000		22,60,000

The following information is to be taken into consideration:

- (a) Closing Inventory Rs. 90,000
- (b) Depreciate Machinery at 10%
- (c) Outstanding salary Rs. 5,000
- (d) Transfer Rs. 5,000 to General Reserve
- (e) The authorized capital of the company is Rs. 10,00,000 divided into equity shares of Rs. 10 each
- (f) Make provision for Income Tax @ 30%

- Q.4** (a) Discuss in brief 'Fund' and importance of Fund Flow Statement. 07
- (b) From the following balance sheet of X Ltd. on 31st December, 2005 and 2006, you are required to prepare: 07
- (1) Funds generated from the business operations
 - (2) Changes in working capital
 - (3) Sources and Application of Funds

Liabilities	31-03-00	31-03-01	Assets	31-03-00	31-03-01
Share Capital	4,50,000	4,50,000	Plant & Mach.	4,00,000	3,20,000
Gen. Res.	3,00,000	3,10,000	Investments	50,000	60,000
P & L A/c.	30,000	35,000	Stock	2,00,000	1,95,000
Capital Res.	26,000	33,000	Bills Receivable	40,000	15,000
Debentures	-----	2,70,000	Debtors	2,00,000	4,55,000
Creditors	90,000	75,000	Bank Bal.	1,59,000	1,97,000
Bills Payable	78,000	59,000			
Provision for Taxation	75,000	10,000			
	10,49,000	12,42,000		10,49,000	12,42,000

Other details are as follows:

- (1) During the year investments worth Rs. 8,000 were sold at a price of Rs. 8,500 and new investments worth Rs. 18,000 were purchased.
- (2) Net profit of the year was Rs. 62,000 after providing for depreciation

of Rs. 70,000 on Plant and Machinery and Rs. 10,000 provision for taxation.

- (3) During the year Plant and Machinery worth Rs. 10,000 were sold at a price of Rs. 12,000 and the profit on the same was credited to Profit and Loss Account.
- (4) During the year Rs. 40,000 were paid as Dividend.

OR

Q.4 (a) Discuss in brief the meaning and objectives of Financial Statement Analysis **07**

(b)	Rs.	07
Share Capital	1,00,000	
General Reserve	50,000	
12% Loan	50,000	
Sales for the year	2,00,000	
Tax Paid	10,000	
Profit after Tax	20,000	

From the above information, you are required to calculate:

- (i) Debt-Equity Ratio
(ii) Interest Coverage Ratio
(iii) Return on Equity

and comment on these ratios on the basis of the information available.

Q.5 (a) Why do we need global standardization of financial reporting? Is it feasible? Is it required? Why or Why not? **07**

(b) Explain the purpose of operating profit ratio and net profit ratio. When is ROCE greater than RONW? **07**

OR

Q.5 (a) What do you understand by Trend Analysis? Explain in brief with hypothetical example. **07**

(b) Briefly Explain Generally Accepted Accounting Principles. **07**
