$\qquad$

## GUJARAT TECHNOLOGICAL UNIVERSITY <br> M.B.A -I ${ }^{\text {st }}$ SEMESTER-EXAMINATION -JUNE- 2012

Subject code: 810001
Date: 07/06/2012

## Subject Name: Accounting for Managers (AFM) <br> Time: 02:30 pm - 05:30 pm Instructions:

Total Marks: 70

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 \& $\mathbf{0 7}$

Loss Account and Balance Sheet for the year ended on 31 ${ }^{\text {st }}$ March, 2004.

Trial Balance as on 31-03-04
Dr.
Purchases
Discount allowed
Wages 21,750

Sales
1,300

Salaries
Travelling Expenses 000

Commission 425
Carriage inwards 275
Administration expenses 105
Printing exp. 600
Interest 250
Building 5,000
Furniture 200
Debtors 4,250
Capital
Creditors
2,045
$\underline{\underline{45,100}}$

Stock on 31-03-2004 was Rs, $60,00,000$.
Q. 2 (a) Discuss the WDV and SLM methods of depreciation. Also mention the $\mathbf{0 7}$ major provisions of the Income Tax Act regarding depreciation.
(b) "As per the revised Accounting Standard - 2 issued by ICAI, FIFO \& 07

WAC methods are recognized methods for inventory valuation".
Explain the FIFO \& WAC methods of inventory valuation.
OR
(b) A company purchased raw materials during the month of March 2007 as $\mathbf{0 7}$ stated below :
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 $31^{\text {st }}$ 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.
(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 $31^{\text {st }}$ March, 2005. Prepare a Cash Flow Statement based upon the following details.

ABC Co.
Balance Sheet as at $31^{\text {st }}$ March, 2005

| ASSETS | (Rs. in ‘000) <br> 2005 |  |
| :--- | :---: | :---: |
| Land | $4,00,000$ | $5,00,000$ |
| Investments | $2,00,000$ | -- |
| Machinery | $1,50,000$ | $3,00,000$ |
| Cash in Hand | $\underline{41,000}$ | $\underline{2,00,000}$ |
| LIABILITIES | $\underline{\underline{7,91,000}}$ | $\underline{\underline{10,00,000}}$ |
| 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 | $\underline{2,91,000}$ | $\underline{2,91,000}$ |
|  | $\underline{\underline{7,91,000}}$ | $\underline{\underline{10,00,000}}$ |

ABC Co.
Profit and Loss account for the year ending $31^{\text {st }}$ March, 2005
(Rs. in '000)
To Purchase (Cash) $\quad 15,000 \quad$ By Sales (Cash) 30,000
To salaries \& wages
To Income Tax
5,000 By Interest Received
10,000
1,000 By Dividend Income 15,000
To Debenture Interest
6,000
To Div. (Pref. Share)
3,000
To Div. (Equity Share)
6,000
To Net Profit
19,000
55,000
55,000
Q. 3 (a) "Auditors report and Directors report are mandated by Companies Act"

- Discuss the significance and implication of Auditors report.
(b) The following ledger balances were extracted from the books of VXL as on $31^{\text {st }}$ March 2006.
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?
(b) Following are the Balance Sheets of BKC Ltd. for the year ended December 2006 and 2007.

| 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 | $\underline{2,000}$ | $\underline{\underline{2,30,000}}$ |
| $\underline{\underline{3,40,000}}$ |  |  |
| LIABILITIES | $1,00,000$ | $\underline{2007}$ |
| Equity capital | 50,000 | 75,000 |
| Pref. Capital | 10,000 | 15,000 |
| Reserves | 7,500 | 10,000 |
| P \& L A/c | 25,000 | 25,000 |
| Bank O.D. | 20,000 | 25,000 |
| Creditors | 10,000 | 12,500 |
| Provision for Taxation | 7,500 | $\underline{12,500}$ |
| Proposed dividend | $\underline{\underline{2,30,000}}$ | $\underline{\underline{3,40,000}}$ |
|  |  |  |

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.
(b) Total current liabilities are Rs. 80,000 current ratio is $2.5: 1$. Acid test 07 ratio 1.5:1. Total current assets include stock, debtors and cash only. Cash is $2 / 3$ of debtors. Calculate debtors \& cash.
Q. 5 (a) Define Human Resource Accounting giving its objectives and ..... 07
advantages.
(b) Explain Responsibility Accounting giving the various types of $\mathbf{0 7}$ responsibility centres.

## 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 07 global financial reporting" - Discuss giving the significance of IFRS.

