

VTU MODEL QUESTION PAPER - CBCS SCHEME

USN:

20MBA16

First Semester MBA Degree Examination,...../..... 2021

Accounting for Managers

Time: 3 hrs.

Max Marks: 100

**Note: 1. Answer Any Four Questions from Q.No.1 to Q.No. 7.
2. Question No. 8 is Compulsory.**

1. a. Define accounting.

(03 Marks)

b. Prepare a trial balance from the below given data

(07 Marks)

Particulars	Rs'000
Gopal's Capital	7,000
Purchases	8,000
Rent Paid	240
Gopal's Drawings	400
Bills Receivables	1,200
Opening stock	1,000
Purchase Returns	280
Sales Returns	160
Plant and Machinery	4,000
Sales	9,600
Sundry debtors	5,600

Furniture	500
Salaries	720
Sundry creditors	5,600
Carriage	100
Insurance	40
Cash in hand	100
Cash at Bank	1,950
Commission paid	40
Bills Payable	1,580
Discount received	30
Discount allowed	40

c. Journalize the following transactions pertaining to July, 2020

(10 Marks)

July 1. Bijoy started a business with Rs 50,000

2. Paid into bank Rs 40,000

4. Bought goods Rs 5,000 for cash

12. Sold goods for cash Rs 15,000

17. Purchased goods from Uday Rs 7,000

18. Sold goods to Vikas Rs 10,000

25. Withdrawn from the bank for personal use Rs 5,000

30. Paid salaries to staff Rs 8,000

30. Received from Vikas Rs 9,000 and the remaining cannot be recovered due to the impact of Pandemic (bad debt)

2. a. When do you prepare appropriation account?

(03 Marks)

b. What is Window dressing? Discuss the reasons for window dressing.

(07 Marks)

c. From the following balances of Kumar company ltd., prepare Income Statement

(Vertical format only) for the year ending 31/12/2020, consider the tax rate @ 35%. (10 Marks)

Interest on debentures	32400	Freight charges	8000
Travelling expenses	15000	Depreciation	25000
Delivery van expenses	5000	Insurance	5000
Bad debts	6000	Commission received	7500
Discount	7000	Sales	650000
Purchases	315000	Share transfer fees	5000
Opening stock	75000		

3. a. Calculate CA and CL if Working Capital is 1,20,000 and CR = 2.5 (03 Marks)
 b. Compute the cash flows from operating activities (07 Marks)

Net profit made during the year Rs 2,00,000

	Rs
Depreciation on fixed assets	10,000
Amortization of Goodwill	5,000
Transfer to General Reserve	7,000
Profit on sale of land	3,000

Following is the position of current assets and current liabilities

	2019	2020
Accounts Receivables	15,000	12,000
Creditors	10,000	15,000
Accounts Payables	8,000	10,000
Inventory	4,000	6,000

- c. Assume that a firm's owner's equity is Rs.100000/- & the ratios of the firm are as follows.

- Short term debt to total debt = 0.40
- Total debt to owners' equity = 0.60
- Fixed assets to owners' equity = 0.60
- Total assets turn over = 2 times
- Inventory turnover = 8 times

From the above information, complete the following balance sheet:

(10 Marks)

Liabilities	Rs	Assets	Rs
Owner's equity	----	Fixed assets	----
Long term debt	----	Inventory	----
Short term debt	----	Cash	----
Total	----	Total	----

4. a. Explain the purpose of management accounting. (03 Marks)

- b. A refrigerator manufacturer purchases a certain component @ Rs.50 per unit. If he manufactures the same product he has to incur a fixed cost of Rs.20,000 and variable cost per unit is Rs.40 when can the manufacturer make on his own or when he can buy

from outside? When the requirement is 5,000 units, will you advise to make or buy? **(07 Marks)**

c. Given the following

Particulars	Per unit
Sale Price	10
Variable cost	6
Fixed cost	20000-Total

- i. Find BEP
 - ii. Margin of Safety at 8000 units
 - iii. No of units to be produced to achieve a target profit of RS 1,00,00 **(10 Marks)**
5. a. What do you understand by the term "Disposition of variances" **(03 Marks)**
- b. Briefly explain the importance of variance analysis **(07 Marks)**
- c. The manager of repairs and maintenance department in response to a request, submitted the following budget estimates for his department that are to be used to construct a flexible budget to be used during the coming budget year:

Details of cost	Planned at 6,000 direct repair hours	Planned at 9,000 direct repair hours
Employee salaries	30,000	30,000
Indirect repair materials	40,200	60,300
Miscellaneous cost, etc	13,200	16,800

- i. Prepare a flexible budget for the department up to activity level of 10,000 repair hours (use increments of 1,000 hours).
 - ii. What would be the budget allowance at 8,500 direct repair hours?
6. a. What is sustainability reporting? **(03 Marks)**
- b. Discuss the areas covered by forensic accounting **(07 Marks)**
- c. Define Human Resource Accounting. Explain methods of valuing Human Resource. **(10 Marks)**
7. a. Discuss computerized accounting system and its relevance. **(03 Marks)**
- b. Briefly discuss accounting concepts with their importance. **(07 Marks)**
- c. Given below are the balances sheets of VXL Ltd as at December 31st of two years are given below.

Assets:	2019 (Rs)	2018 (Rs)
Cash balances	60000	50000
Trade debtors	100000	75000
Inventory	120000	140000
Land	80000	100000
Plant & machinery	250000	200000
Total	610000	565000
Liabilities & capital:		
Trade creditors	40000	30000
Debentures	90000	150000
Provision for depreciation on pant	80000	60000
Equity share capital	240000	200000
Retained earnings	160000	125000
Total	610000	565000

Cash dividend of Rs. 25000 paid during the year. You are required to prepare cash flow statement on indirect basis.

(10 Marks)

8. Case Study (Compulsory)

From the following Trial Balance of ABC trading company prepare Final Statements (Vertical Format only) for the year ending 31/03/2020.

(20 Marks)

Particulars	Debit	Credit
Sale of goods	-	5,50,000
Office rent	50,000	-
Opening inventory	35,000	-
Purchase of goods	1,70,000	-
Furniture	1,85,000	-
Trade payables	-	85,000
Plant & Machinery	1,00,000	-
Trade receivables	1,60,000	-
Equity share capital (40,000 shares of Rs. 10 each)	-	4,00,000
Debentures	-	1,00,000
Interest on debentures	10,000	-
Fixed deposits	70,000	-
Staff welfare expenses	12,000	-
Surplus	-	10,000
Cash in hand & at bank	63,000	-
Building	90,000	-
Rates & taxes	25,000	-
Salaries	55,000	-
Goodwill	1,25,000	-
General reserve	-	5,000

Adjustments:

- Closing Inventories Rs. 45,000
- Create provision for taxation @ 30%
- Transfer to general reserve Rs. 5,000
- Director proposed a dividend @ 10%
- Provide depreciation on Plant & Machinery @ 10% and on Building @ 5%.

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Note: 1. Answer Any Four Questions from Q.No.1 to Q.No. 7.

2. Question No. 8 is Compulsory.

1. a. What is double entry system? (03 Marks)
- b. Explain accounting principles. (07 Marks)
- c. Journalize the following transactions in the books of Mr. Gupta for the month of January 2021 (10 Marks)

Jan 1	Commenced business with Rs. 5,000, Goods Rs. 2,000.
Jan 4	Goods purchased for cash Rs. 3,000 and from 'B' on credit Rs. 2,000
Jan 10	Sold goods to 'A' for credit Rs. 3,000 and on cash Rs. 2,000.
Jan 13	Paid Commission Rs 500 and Interest Rs 350.
Jan 17	Paid charity Rs. 500
Jan 19	Received from 'A' Rs 2,900 and allowed him discount of Rs 100.
Jan 20	Goods distributed as free samples Rs. 750
Jan 22	Purchased a motor car in exchange for goods Rs. 2,000 and cheque Rs. 3,000
Jan 24	Charge depreciation on furniture @ 10% (Furniture Cost Rs. 20,000)
Jan 26	Loss of cash by theft Rs. 900

2. a. When do you prepare appropriation account? (03 Marks)
- b. Define Window dressing and explain the methods of window dressing. (07 Marks)
- c. From the following information prepare Balance Sheet (vertical format)of MNC Ltd., as on 31/03/2020 (10 Marks)

Particulars	Rs
Share capital	50,000
Inventory	13,000
Reserves & Surplus	47,000
Fixed assets	76,420
Share application money pending	5,300
Current Investments	2,400
Long-term borrowings	10,000
Capital work in progress	5,800
Long term loans & advances	7,340
Short term provisions	700

Other non-current assets	940
Trade receivables	3,600
Other current liabilities	1,500
Cash & cash equivalent	1,400
Intangible assets	800
Trade payables	2,500
Long term provisions	1,000
Other current assets	8,300
Other long term liabilities	2,000

Important Note: 1. On Completing you answers, compulsorily draw a diagonal cross lines on the remaining blank pages.
 2. Any revealing of identification, appeal to evaluator and/or equations written eg:42+8=50, will be treated as malpractice.

3. a. Define financial statement analysis. **(03 Marks)**

b. From the following calculate trend percentages (considering 2018 as base year) **(07 Marks)**

	2018 (Rs)	2019 (Rs)	2020 (Rs)
Cash	2,000	2,400	1,600
Debtors	4,000	5,000	6,500
Stock	6,000	8,000	7,000
Other Current assets	4,500	6,000	7,500
Land	8,000	10,000	10,000
Buildings	16,000	20,000	24,000
Plant	20,000	20,000	24,000

c. With the following ratios & further information given below, prepare Trading & P & L a/c & Balance sheet. **(10 Marks)**

1	GPR -25%	6	Fixed assets / capital – 5/4
2	Net profit / sales – 20%	7	Fixed assets / total current assets – 5/7
3	Stock turnover ratio – 10 times	8	Fixed assets – 10,00,000
4	Net profit / capital – 1/5	9	Closing stock – 1,00,000
5	Capital / total assets – 1/2		

4. a. Define management accounting. **(03 Marks)**

b. A company has been buying a part of machinery for Rs. 1,000/- each. It has an extra capacity that can be used to produce the same. The annual fixed cost of the unused capacity is Rs. 10,00,000. If the company decided to make the product it will incur material cost of Rs. 350 per unit, labour cost of Rs. 300 per unit and variable overhead cost of Rs. 100 per unit. The future demand is estimated as 5,000 units.

Which decision is profitable for the company? **(07 Marks)**

c. The following information is given

Sales Rs.2,00,000

Variable cost Rs. 1,20,000

Fixed cost Rs. 30,000

Calculate

i. Breakeven point

ii. New breakeven point if selling price is reduced by 10%

iii. New breakeven point if variable cost increases by 10%

iv. New breakeven point if fixed cost increases by 10% **(10 Marks)**

5. a. What is a flexible budget? **(03 Marks)**

b. Briefly explain the managerial uses of variances. **(07 Marks)**

c. The following data are available in a manufacturing company for yearly period: **(10 Marks)**

Fixed Expenses	Rs in Lakhs
Wages and Salaries	9.5
Rent, rates and taxes	6.6
Depreciation	7.4
Sundry administration expenses	6.5
Semi-variable expenses (At 50% of capacity)	
Maintenance and repairs	3.5
Indirect labour	7.9
Sales department salaries,etc	3.8
Sundry administration salaries	2.8
Variable expenses (At 50% of capacity)	
Materials	21.7
Labour	20.4
Other expenses	7.9
Total cost	98.0

Assume that the fixed expenses remain constant for all levels of production; semi-variable expenses remain constant between 45% and 65% of capacity, increasing by 10% between 65% and 80% capacity and by 20% between 80% and 100% capacity.

Sales at various levels are

50 % capacity	Rs. 100 lakhs
60 % capacity	Rs. 120 lakhs
75% capacity	Rs. 150 lakhs
90 % capacity	Rs. 180 lakhs
100 % capacity	Rs. 200 lakhs

Prepare a flexible budget for the year and forecast the profit at 60%, 75%, 90% and 100 % capacity.

6. a. What is forensic accounting? **(03 Marks)**
- b. Write a note on Indian accounting standard? **(07 Marks)**
- c. Discuss the effectiveness of Human Resource Accounting in an organization with its importance. **(10 Marks)**
7. a. Average stock is Rs. 50,000. Opening stock is Rs. 10,000 less than closing stock. Find out opening and closing stock. **(03 Marks)**
- b. Sustainability reporting is a part of accounting". Do you agree? Explain. **(07 Marks)**
- c. From the following information, prepare Cash Flow Statement by indirect method **(10 Marks)**

Liabilities	31/03/2019	31/03/2018	Assets	31/03/2019	31/03/2018
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Share capital	50,00,000	40,00,000	Fixed assets	31,00,000	30,00,000
Reserve fund	15,00,000	5,00,000	Investment	1,50,000	-
Secured loan	35,00,000	40,00,000	Stock & stores	75,00,000	78,75,000
Current liabilities	50,00,000	60,00,000	Debtors	40,00,000	35,00,000
			Cash & bank	2,50,000	1,25,000
Total	1,50,00,000	1,45,00,000	Total	1,50,00,000	1,45,00,000

- The net profit for the year after adjustment in respect of provision for dividends and tax was Rs. 10,00,000.
- There was addition to fixed assets during the year amounting to Rs. 4,00,000 and depreciation for the year was Rs. 3,00,000.

8. Case Study (Compulsory)

From the following trail balance prepare financial statements (Vertical Format) Shri Trading Company Ltd. for the accounting period 31st March 2020

Sl.No	Particulars	Debit (Rs)	Credit (Rs)
1	Goodwill	2,50,000	
2	Trade receivable	2,45,000	
3	Opening inventories	58,000	
4	Patent	32,000	
5	P & L opening balance		58,000
6	Machinery	2,55,000	
7	Buildings	2,89,000	
8	Bank overdraft		2,25,000
9	Cash and cash equivalents	2,25,000	
10	Trade payables		1,95,000
11	Salaries and Wages	1,75,000	
12	Freight outwards	50,000	
13	Purchase of goods	3,25,000	
14	Rent, Rates and Taxes	63,000	
15	Interst on bank overdraft	16,875	
16	Power, Fuel Expenses	48,000	
17	General reserve		1,95,000
18	Share capital (Equity share of Rs.10 each)		5,00,000
19	Loans given to employees	88,125	
20	Sales		9,47,000
	Total	21,20,000	21,20,000

Adjustments:

1. Closing Inventories Rs. 1,45,000.
2. Create Provision for taxation at 30%.
3. Transfer to General reserve Rs 25,000.
4. Directors proposed dividend of 5%.
5. Provide depreciation on machinery at 10% and Buildings at 5% and Goodwill by 20%.