

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA Sem-I Examination January 2010

Subject code:810001

Subject Name: Accounting for Managers

Date: 18 / 01 / 2010

Time: 12.00 – 2.30 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) How do generally accepted accounting principles present an ethical issue in financial accounting? **07**

b) Presented below are the balances, listed in alphabetical order, of Beyer Company, at December 1, 2009: **07**

Accounts Payable	Rs. 8,100
Accounts Receivable	Rs. 4,000
Cash	Rs. 7,300
Land	Rs. 15,300
Machinery	Rs. 31,600
Merchandise Inventory	Rs. 12,200
Long-term Debt Payable	Rs. 20,700
Note Payable	Rs. 2,200
Paid-in Capital	Rs. 39,400

Below are the transactions for Beyer Company for the month of December 2009:

- a. Sold inventory to a friend at cost, which was Rs.800. The friend paid in cash.
- b. Borrowed an additional Rs. 1,300 in notes payable.
- c. Collected Rs. 1,900 from credit customers.
- d. Paid Rs. 2,600 of the amount owed on account.

Prepare a balance sheet as of December 31, 2009, considering the beginning balances and incorporating the effects of the December 2009 transactions.

Q.2.

a) What do you mean by the term 'depreciation'? What are its causes? Why do firms provide depreciation? **07**

b) The following data pertains to the ABC Company for the year of 2008: **07**

- a. Salaries and wages: accrued, Rs. 175,000; paid in cash Rs.200,000.
- b. Depreciation, Rs.50,000.
- c. Interest expense, all paid in cash, Rs.12,500.
- d. Other expenses, all paid in cash, Rs.112,000.
- e. Income taxes accrued, Rs.35,000; income taxes paid in cash, Rs.33,000.

- f. Bought plant and facilities for Rs.365,000 cash.
- g. Sales of Rs.1,500,000, all on credit. Cash collections from customers, Rs.1,250,000.
- h. The cost of items sold was Rs.750,000. Purchases of inventory totalled Rs.825,000; inventory and accounts payable were affected accordingly.
- i. Cash payments on trade accounts payable were Rs.700,000.
- j. Issued long-term debt for Rs.110,000 cash.
- k. Paid cash dividends of Rs.45,000.

Prepare a statement of cash flows using the direct method for reporting cash flows from operating activities.

OR

- b) XYZ Inc had the following inventory balance as of June 30, 2008. **07**

June 3 order of 400 units @ Rs.10.50	Rs. 4,200
June 8 order of 100 units @ Rs.11.00	1,100
June 19 order of 200 units @ Rs.11.50	<u>2,300</u>
	Rs. 7,600

On July 1, 2008, the company sold 240 units at Rs.16.00 per unit. On July 10, 2008, a competitor announced a new model which resulted in the cost of Murray inventory dropping to the new replacement cost, which was Rs.10.75. XYZ Inc uses a perpetual inventory system.

What is the balance in the inventory account on July 9, 2008, if XYZ Inc uses:

- a. FIFO?
- b. LIFO?

Q.3.

- a) What do you understand by Common Size Statement? What is its purpose? Explain with suitable examples. **07**
- b) Describe the progress made by India so far in the field of human resource accounting. **07**

OR

Q.3.

- a) From the data presented below, calculate the following ratios: **07**
- a. acid-test ratio
 - b. inventory turnover
 - c. days' sales in receivables
 - d. price / earnings ratio
 - e. rate of return on total assets
 - f. times-interest-earned ratio
 - g. current ratio

	2008	2007
Net sales (all on credit)	Rs.97,600	Rs.93,000
Cost of goods sold	53,500	52,500
Gross profit	44,700	40,500
Income from operations	16,300	15,000
Interest expense	3,100	3,500
Net income	9,800	9,000

Cash	7,700	7,500
Accounts receivable, net	10,700	12,500
Inventory	20,000	26,000
Prepaid expenses	1,000	900
Total current assets	39,400	46,900
Total long-term assets	50,000	67,000
Total current liabilities	32,000	44,500
Total long-term liabilities	11,000	39,800
Common stock, no par, 2000 shares, value Rs.45/share	10,000	10,000
Retained earnings	25,400	19,600

b) A company's summary income statement for the most recent four years is presented below. **07**

- a. Prepare an analysis showing trend percentages for the four-year period using 2005 as the base year.
- b. What information is available from this trend analysis?

	2008	2007	2006	2005
Net sales	78,100	75,000	67,000	55,000
Cost of goods sold	33,200	32,000	30,000	20,000
Gross profit	44,900	43,000	37,000	35,000
Operating expenses	25,700	22,000	19,000	14,000
Net income	19,200	21,000	18,000	21,000

Q.4.

- a) ABC Corporation purchased earth moving equipment for Rs.2,00,000/-. **07**
The equipment was expected to be useful for six years, or 1,500 hours, with an estimated residual value of Rs.20,000 at the end of that time. The equipment logged 200 hours in the first year. You are required to compute depreciation expense for the first year under each of the following methods: (1) Straight line method, (2) Written Down Value method, (3) Sum of the years digits method and (4) Production Units method

- b) Define Inflation Accounting and explain the provisions for the same in GAAP **07**

OR

Q.4.

- a) Explain the significance of Environment Accounting in the Indian Context **07**
- b) Explain Foreign Exchange Accounting process in detail **07**

Q.5.

- a) Discuss the utility and significance of financial statements to various parties interested in business concern **07**
- b) Explain the various classification of ratios **07**

OR

Q.5.

- a) Explain the limitations of Financial Accounting **07**
- b) Explain the meaning and objectives of Financial Statement Analysis **07**
