



ROLL NO.	
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PRESIDENCY UNIVERSITY, BENGALURU
SCHOOL OF MANAGEMENT

Max Marks: 100

Max Time: 180 Mins

Weightage: 40 %

2017 MBA I Semester

END TERM FINAL EXAMINATION

I Semester AY 2017-2018

FIN101 ACCOUNTING FOR MANAGERS

27 December 2017

Instructions:

- i. Answer all questions
- ii. Nonprogrammable calculators are allowed

Part A

[10Q x 2 M= 20 Marks]

1. State the accounting equation and briefly explain.
2. Name the two types of liabilities and give two examples for each.
3. Expand GAAP and state any two accounting concepts.
4. What are the qualitative characteristics of accounting information?
5. Name the four basic financial statements.
6. Name two internal and external users of accounting
7. Define liquidity ratio. Name four liquidity ratios
8. What is an accrued (outstanding) expense? Specify the financial statement in which it will appear and under what item it will be shown.
9. What are drawings? How does it affect capital?
10. Define debt equity ratio.

Part B

[5Q = 40 Marks]

11. Rita's Payroll Services Company entered into the following transactions during May 2017.

[8 M]

- i. Purchased computer terminals for ₹15,000 from Comp-time on account.
- ii. Paid ₹3,000 cash for May rent on storage space.
- iii. Received ₹12,000 cash from customers for contracts billed in April.
- iv. Provided computer services to Magic Construction Company for ₹2,500 cash.
- v. Paid Northern Ohio Power Co. ₹7,000 cash for energy usage in May.
- vi. Rita invested an additional ₹25,000 in the business.
- vii. Paid Comp-time for the terminals purchased in (1) above.
- viii. Incurred advertising expense for May of ₹900 on account.

Instructions

Indicate with the appropriate letter whether each of the transactions above results in:

- (a) an increase in assets and a decrease in assets.
- (b) an increase in assets and an increase in owner's equity.
- (c) an increase in assets and an increase in liabilities.
- (d) a decrease in assets and a decrease in owner's equity.
- (e) a decrease in assets and a decrease in liabilities.
- (f) an increase in liabilities and a decrease in owner's equity.
- (g) an increase in owner's equity and a decrease in liabilities

12. A machine was purchased by X Ltd for ₹ 200000. The residual value at the end of its expected useful life of 4years is estimated ₹ 20000. Calculate the amount of depreciation for the four years using Straight Line Method.

Also, calculate the depreciation charges for the machine for four years using Reducing Balance method at a rate of 60%.

Find out the Net Book Valua(NBV) at the end of the fourth year

[8 M]

13. Two items are omitted from each of the following summaries of balance sheet and income statement data for two proprietorships for the year 2017, Gary Carmel and Taso Enterprises.

[4 M]

	Gary Taso	Carmel Enterprises
Beginning of year:		
Total assets	₹ 115,000	₹129,000
Total liabilities	90,000	(c)
Total owner's equity	(a)	78,000
End of year:		
Total assets	160,000	180,000
Total liabilities	100,000	50,000
Total owner's equity	60,000	130,000
Changes during year in owner's equity:		
Additional investment	(b)	25,000
Drawings	19,000	(d)
Total revenues	215,000	100,000
Total expenses	175,000	61,000

Instructions

Determine the missing amounts.

14. Peter Nimmer opened a veterinary business in Nashville, Tennessee, on August 1, 2017. On August 31, the balance sheet showed Cash ₹9,000, Accounts Receivable ₹1,700, Supplies ₹600, Equipment ₹6,000, Accounts Payable ₹3,600, and Owner's Capital ₹13,700. During September, the following transactions occurred.

[12 M]

- Paid ₹2,900 cash on accounts payable.
- Collected ₹1,300 of accounts receivable.
- Purchased additional equipment for ₹2,100, paying ₹800 in cash and the balance on account.
- Recognized revenue of ₹7,800, of which ₹2,500 is received in cash and the balance is due in October.
- Withdrew ₹1,100 cash for personal use.
- Paid salaries ₹1,700, rent for September ₹900, and advertising expense ₹450.
- Incurred utilities expense for month on account ₹170.
- Received ₹10,000 from Capital Bank (money borrowed on a note payable).

Instructions

- (a) Prepare a tabular analysis of the September transactions beginning with August 31 balances. The column headings should be as follows: Cash, Accounts Receivable, Supplies, Equipment, Notes Payable, Accounts Payable, Owner's Capital, Owner's Drawings, Revenues, Expenses. **[6 M]**
- (b) Prepare an income statement for September, an owner's equity statement for September, and a at September 30. **[4 M + 2 M = 6 M]**

15. Place Corporation experienced a fire on December 31, 2017, in which its financial records were partially destroyed. It has been able to salvage some of the records and has been ascertained the following balances. **[8 M]**

	December 31, 2017	December 31, 2016
Cash	₹ 30,000	₹ 10,000
Receivables (net)	72,500	126,000
Inventory	220,000	180,000
Accounts payable	50,000	90,000
Notes payable	30,000	60,000
Common stock, ₹100 par	400,000	400,000
Retained earnings	113,000	101,000

Additional information:

- The inventory turnover is 4.0 times.
- The return on common stockholders' equity is 16%. The company had no additional paid-in capital.
- The accounts receivable turnover is 9.0 times.
- The return on assets is 12.5%.
- Total assets at December 31, 2016, were ₹650,000.

Instructions

Compute the following for Place Corporation.

- (a) Cost of goods sold for 2017.
(b) Net sales (credit) for 2017.
(c) Net Profit for 2017.
(d) Total assets at December 31, 2017.

Part C

[3Q = 40 Marks]

16. The comparative condensed balance sheets of Dalle Corporation are presented below.

DALLE CORPORATION

Comparative Condensed Balance Sheets

December 31

Assets	2017	2016	2015
Current assets	₹ 76,000	₹ 80,000	₹85000
Property, plant, and equipment (net)	99,000	90,000	75000
Intangibles	30,000	40,000	55000
Total assets	205,000	₹210,000	₹215000
Liabilities and Stockholders' Equity			
Current liabilities	₹ 42,000	₹ 48,000	₹65000
Long-term liabilities	145,000	150,000	₹140000
Stockholders' equity	18,000	12,000	10000
Total liabilities and stockholders' equity	₹205,000	₹210,000	₹115000

Instructions

(a) Prepare a horizontal analysis of the balance sheet data for Dalle Corporation using 2015 as a base. **[6 marks]**

(b) Prepare a vertical analysis of the balance sheet data for Dalle Corporation in columnar form for 2016 & 2017. **[6 marks]**

17. Selected comparative statement data for Wegman Products Company are presented below. All balance sheet data are as of December 31. **[8 marks]**

	2017	2016
Net sales	₹800,000	₹720,000
Cost of goods sold	480,000	440,000
Interest expense	7,000	5,000
Net income	45,000	42,000
Accounts receivable	120,000	100,000

Inventory	85,000	75,000
Total assets	600,000	500,000
Total common stockholders' equity	450,000	310,000

Instructions

Perform vertical analysis for the two years **[2 M]**

Compute the following ratios for 2017. **[1.5 marks each]**

(a) Profit margin.

(b) Asset turnover.

(c) Return on assets.

(d) Return on common stockholders' equity.

18. The following trial balance has been extracted from the books of Allison Limited as at 30 June 2016

[20 M]

	₹000's
Advertising	30
Bank	7
Payables	69
Loan notes 10%	70
Receivables	300
Directors' remuneration	55
Electricity	28
Insurance	17
Investments	28
Investment income	4
Machinery at cost	420
Machinery accumulated depreciation at 1.7.2015	152
Office expenses	49
Ordinary share capital	250
Dividend paid	4
Income Statement at 1.7.2015	132

Provision for doubtful debts (opening)	8
Purchases	1240
Rent & rates	75
Sales	2100
Inventory at 1.7.2015	134
Vehicles at cost	80
Vehicles accumulated depreciation at 1.7.2015	40
Wages & Salaries	358

Additional information:

1. Inventory at 30 June 2016, valued at cost, amounted to ₹155,000.
2. Depreciation is to be provided on machinery & vehicles at a rate of 20% & 25% respectively, using the reducing balance method.
3. The provision for doubtful debts is to be made equal to 5% of outstanding Receivables as at 30 June 2016.
4. Provision is to be made for auditors' fees of ₹12,000.

Prepare a Income Statement for the year ended 30 June 2016, and a Statement of Financial Position as at that date.



PRESIDENCY UNIVERSITY, BENGALURU
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Max Marks: 60

Max Time: 120 Mins

Weightage: 20 %

MID TERM EXAMINATION

I Semester AY 2017-2018

FIN101 ACCOUNTING FOR MANAGERS

10 November 2017

Instructions:

- i. Answer all questions
 - ii. Nonprogrammable calculators are allowed
-

Part A

(5 Q x 2 M= 10 Marks)

1. State the two types of liabilities and give two examples for each.
2. Expand GAAP. The following situations involve accounting principles and assumptions.
 - Hodge Company owns land that is worth substantially more than it originally cost. In an effort to provide more relevant information, Hodge reports the land at fair value in its accounting reports.
 - Franklin Company includes in its accounting records only transaction data that can be expressed in terms of money.
 - Jose Ortiz, owner of Jose's MovieHouse, records his personal living costs as expenses of the Movie House

Instructions

For each of the three situations, say if the accounting method used is correct or incorrect. If correct, identify which principle or assumption supports the method used. If incorrect, identify which principle or assumption has been violated.

3. What are the qualitative characteristics of accounting information?
4. Which is the financial statement which gives a snapshot of the financial position of the company and briefly explain it.
5. Luther Cleaners has the following balance sheet items.

Accounts payable	Accounts receivable
Cash	Notes payable
Equipment	Rent payable
Supplies	Owner's capital

Instructions

- Classify each item as an asset, liability, or owner's equity.

Part B

(6 Q x 5 M= 30 Marks)

6. Selected transactions for Lush Lawn Care Company are listed below.

- Made cash investment to start business.
- Purchased equipment on account.
- Paid salaries.
- Billed customers for services performed.
- Received cash from customers billed in (4).
- Withdrew cash for owner's personal use.
- Incurred advertising expense on account.
- Purchased additional equipment for cash.
- Received cash from customers when service was performed.
- Received cash from customers in advance

Instructions

List the numbers of the above transactions and describe the effect of each transaction on assets, liabilities, and owner's equity. For example, the first answer is: (1) Increase in assets and increase in owner's equity.

7. Enumerate the rules of debit and credit based on the Modern Approach.

8. Prove that accounting equation is satisfied in all the following transactions of Suresh.

- a. Commenced business with cash Rs.56000
- b. Paid rent in advance Rs.4000
- c. Purchased goods for cash Rs.20000 and credit Rs.12000
- d. Sold goods for cash Rs.18000 costing Rs.15000
- e. Paid salary Rs.3500 and salary outstanding Rs.600
- f. Bought motor cycle for personal use Rs.20000

9. Dunn Company had the following assets and liabilities on the dates indicated.

December 31 Total Assets Total Liabilities

2016	\$390,000	\$240,000
2017	\$460,000	\$280,000
2018	\$590,000	\$360,000

Dunn began business on January 1, 2016, with an investment of \$100,000

Instructions

From an analysis of the change in owner's equity during the year, compute the net income (or loss) for:

- (a) 2016, assuming Dunn's drawings were \$20,000 for the year.
- (b) 2017, assuming Dunn made an additional investment of \$55,000 and had no drawings in 2017.
- (c) 2018, assuming Dunn made an additional investment of \$10,000 and had drawings of \$20,000 in 2018.

10. Mary Colaw is the bookkeeper for Nymeyer Company. Mary has been trying to get the balance sheet of Nymeyer Company to balance. Nymeyer balance sheet is shown below

NYMEYER COMPANY
Balance Sheet
December 31, 2017

Assets		Liabilities	
Cash	11000	Accounts Payable	18000
Supplies	7000	Accounts Receivable	(10500)
Equipment	48000	Owner's capital	64500
Owner's drawings	6000	Total liabilities & Owner's equity	72000
Total Assets	72000		

11. Several transactions are listed below, with the accounting equation stated to the right side of each. Use the following identification codes to indicate the effects of each transaction on the accounting equation. Write your answers in the space provided under the accounting equation. You need an identification code for each element of the accounting equation. An example is given before the first transaction.

(5 marks)

I-Increase D-Decrease NE-No Effect

		<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Owners' Equity</u>
Example	Common stock is issued to investors in the company	<u>I</u>		<u>NE</u>		<u>I</u>
A)	Equipment is purchased on credit.	_____		_____		_____
B)	Sales are made on account.	_____		_____		_____
C)	Cash is collected from customers for accounts receivable balances.	_____		_____		_____
D)	Dividends are declared and paid to stockholders.	_____		_____		_____
E)	Utility bills are received and recorded; payment will be made later.	_____		_____		_____

Part C

(2 Q = 20 Marks)

12. Financial statement information about four different companies is as follows. (6 marks)

Amounts in Rs.

	Luo Company	Foster Company	Usher company	Meritt company
Jan 2014,				
Assets	95000	110000	x	170000
Liabilities	50000	x	75000	x
Owner's equity	x	60000	45000	90000
Dec 31,2014				
Assets	x	141000	200000	x
Liabilities	55000	75000	x	80000
Owner's equity	63000	x	130000	162000
Owner's equity changes in the year				
Additional investment	x	15000	10000	15000
Drawings	25000	x	14000	20000
Total Revenues	350000	420000	x	520000
Total Expenses	320000	385000	342000	x

13. An analysis of the transactions made by Holmes & Co., a certified public accounting firm, for the month of August is shown on the next page. The expenses were Rs.820 for rent, Rs.5,400 for salaries and wages, and Rs500 for utilities.

Instructions

- (a) Describe each transaction that occurred for the month. (10 marks)
- (b) Determine how much owner's equity increased/decreased for the month. (2marks)
- (c) Compute the amount of net income for the month. (2 marks)

Amounts in Rs.

					Owner's Equity			
Cash	+Accounts Receivable	+Supplies	+Equipment	Accounts Payable	Owner's capital	-Owner's drawings	(Income) +Revenue	-Expenses
20000					20000			
-2000			5000	3000				
-750		750						
5600	2700						8300	
-1500				-1500				
-2000						-2000		
-820								-820
450	-450							
-5400								-5400
				500				-500