

Presidency University, Bengaluru
School of Management

Comprehensive Examination

I Semester 2015-2016

Accounting for Managers

MBA A 107

(Closed Book)

Max Marks: 80 marks

Max Time 3 hours

Weightage : 40%

05 January 2016

Instructions to Candidates:

Write legibly, briefly and summarize/highlight the main points

Part A

2 X 10=20

Answer all questions

1. State the Objectives of Accounting.
2. State the concept of "Dual Aspect" and state the Accounting Equation
3. Distinguish between "Bills Receivable" and "Bills Payable" and state the Group under which it is disclosed in the Balance Sheet
4. State the Convention of "Conservatism" and give one example
5. Mention the major components of "Profit and Loss Account"
6. State the major components of "Balance Sheet"
7. Distinguish between "Journalising" and "Posting"
8. State what is meant by "Balancing of an Account"
9. Differentiate between "Outstanding Expenses" and "Prepaid Expenses"
10. State 2 differences between "Accrued Income" and "Unearned Income"

Part B

5 X 8=40

Answer all questions

1. What is meant by "Marshalling of Assets and Liabilities"? Reproduce an illustrative structure of the Balance Sheet under any one method of Marshalling

2. Differentiate between the following
 - a. Fixed Assets and Current Assets
 - b. Fixed Liabilities and Current Liabilities
 - c. Tangible Assets and Intangible Assets

3. Discuss the term "Provision for Bad and Doubtful Debts". Show how the following transactions will be reflected in the Profit and Loss Account and the Balance Sheet as on December 31, 2015

The following items are found in the Trial Balance of Ram and Co as on December 31, 2015

Head of Account	Debit [Rs]	Credit [Rs]
Provision for Bad and Doubtful Debts		12,500
Provision for Discount on Debtors		11,200
Sundry Debtors	87,000	
Bad Debts	13,000	
Discount on Debtors	6,000	

Other Information

- During the year additional Bad Debts to the extent of Rs 12,000 was recognised
- Additional Discount of Rs 4,000 offered
- Provision for Bad and Doubtful Debts to be kept at 10% as on the end of the year
- Provision for Discount on Debtors to be kept at 5% on Debtors

4. Differentiate between "Net Worth" and "Working Capital". Given the following information from the books of Mr. Smart & Co compute "Net Worth" and "Working Capital" as on December 31, 2015

Head of Accounts	Amount [Rs]
Cash Account	250
Sundry Debtors	40,500
Land and Buildings	26,000
Bank Account	4,000
Furniture and Fixtures	2,000
Sundry Creditors	45,000
Closing Stock	36,500
Plant and Machinery	20,000
Capital as at January 1, 2015	41,000
Net Profit for the year[2015]	45,350
Drawing	6,100
Bank Overdraft	4,000

5. Explain the following Accounting Concepts
- a. Money Measurement Concept
 - b. Separate Entity Concept
 - c. Accounting Period Concept
6. List the adjustment entries that have to be made before preparing Final Accounts. From the following information journalise the appropriate adjustments as on **December 31, 2015**

- a. Loan availed, in January 1, 2015, from Bank is Rs.10,00,000. Interest @ 10% for the year not recorded in the books.
- b. Machinery at Cost in the Trial Balance is Rs. 4, 00,000. Provide Depreciation @ 20% on Cost
- c. Rent for the Godown paid till June 2016 @ Rs. 10,000 per month
- d. Interest earned on Deposit with bank, Rs. 10,000, earned as on December 31, 2105, not recorded in books

7. What is a "Trial Balance". Prepare a Trial Balance from the following Ledger Balances as extracted from the books of Mahesh & Co as on December 31, 2015

Head of Accounts	Amount [Rs]
Cash Account	2,19,800
Interest Income	75,000
Bank Account	2,50,000
Furniture and Fixtures	20,000
Due to Vijay Ceramics Ltd	1,10,000
Capital Account	3,22,000
Monies Due from Mohan	65,000
Purchase Account	5,32,000
Sales Account	7,04,000
Purchase Returns Account	22,000
Sales Return Account	12,200
Drawing	50,000
Salaries	46,000
Stationery	4,000
Communications	34,000

8. State the most appropriate answer. Give one-line reasons

- i. Sales are equal to
 - a) Cost of Goods Sold + Gross Profit – Closing Stock
 - b) Cost of Goods Sold – Gross Profit + Closing Stock
 - c) Gross Profit – Cost of Goods Sold + Closing Stock

- ii. Interest on Drawing is
 - a) Expenditure for the Business
 - b) Expense for the Business
 - c) Gain for the Business

- iii. Goods lost in fire should be
 - a) Credited to the Profit and Loss Account
 - b) Credited to the Sales Account
 - c) Debited to Profit and Loss Account

- iv. Book-Keeping is mainly concerned with
 - a) recording of financial data relating to business operations.
 - b) designing the Accounting System
 - c) interpreting data for decision making

- v. The convention of Conservatism is applicable
 - a) to provide for discount on creditors
 - b) in making provision for bad and doubtful debts
 - c) providing for depreciation

Part C

2 X10 =20

Answer Any two of the following

1. On December 1st 2015, the following were the ledger balances of Rajan @ Co.

Particulars	Debit [Rs]	Credit [Rs]
Cash on hand	9,000	
Cash on Bank	2,10,000	
Soni		30,000
Zahir	24,000	
Stock	1,20,000	
Prasad		60,000
Sharma	45,000	
Lall		27,000

Transactions during the month of December 2015

Date	Transaction	Amount [Rs]
2015		
December 2,	Bought Goods of Prasad	27,000
December 3,	Sold to Sharma	30,000
December 5,	Bought goods from Lall paid by cheque at point of purchase	36,000
December 7,	Took goods for personal use	2,000
December 13,	Received from Zahir in full settlement	23,500
December 17,	Paid to Soni in full settlement	29,200
December 22,	Paid in cash for Stationery	500
December 29,	Paid to Prasad by Cheque, Discount received [Rs. 500]	26,500
December 30,	Provided interest on Capital	1,000
December 31,	Rent due to Landlord [not paid as yet]	2,000

Journalise the above transactions and post them into their respective ledger accounts

2. The following is the Income Statement for the year ended December 31, 2015 of M/s Ramoji & Co and the Balance Sheet as on that date, as drawn up by an trainee accountant. As the Accounts Manager you are required to review the same and **redraw, if warranted, the Profit and Loss Account and Balance Sheet in its proper form**

In the books of M/s Ramoji & Co
Profit and Loss Account for the year ended December 31, 2015

Expenditure	Rs	Income	Rs
Purchases	4,66,800	Sales	5,59,900
Closing Stock	55,110	Commission Received	19,080
Salaries	11,010	Interest on Capital	7,500
Drawings	19,170	Opening Stock	50,310
Wages	65,590	Discount Received	11,250
Rent	2,250	Interest Received	27,990
General Expenses	17,470		
Interest on Loan	3,000		
Bad Debts	11,890		
Net Profit	23,740		
	6,76,030		6,76,030

In the books of M/s Ramoji & Co
Balance Sheet as on December 31, 2015

Liabilities	Rs	Assets	Rs
Capital as on January 1, 2015	1,50,000	Debtors	2,61,580
Net Profit for year	23,740	Cash on hand	960
Creditors	1,95,070	Cash at Bank	52,210
Bills Receivable	1,30,140	Loan from Bank	75,000
		Stock as on January 1, 2015	55,110
		Bills Payable	54,090
	4,98,950		4,98,950

3. What is a "Trial Balance". Prepare a Trial Balance, as on December 31, 2015, from the following Ledger Balances as extracted from the books of Girish & Co

Head of Accounts	Amount [Rs]
Cash Account	1,19,800
Interest Income	75,000
Bank Account	1,50,000
Furniture and Fixtures	20,000
Due to Vijay Ceramics Ltd	2,10,000
Capital Account	3,78,000
Monies Due from Mohan	65,000
Purchase Account	1,32,000

Sales Account	7,04,000
Purchase Returns Account	22,000
Sales Return Account	12,200
Drawing	50,000
Bad Debts	18,000
Salaries	46,000
Stationery	4,000
Postage, Fax and Telephones	34,000
Opening Stock [January 1, 2015]	41,540
Closing Stock [December 31, 2015]	82,566
Freight Inwards	23,455
Goods lost due to Theft	30,000
Factory Expenses	66,000
Discount Allowed	12,000
Discount Received	5,800
Provision for Bad & Doubtful Debts	6,000
Provision for Discount on Debtors	2,000
Rent Received	46,000
Property, Plant & Equipment	6,24,805

Presidency University
School of Management

I Semester 2015-16

Test 2

Course: MBA A 105

Accounting for Managers [Closed Book]

Max. Marks 50

Max Time: 50 Min

Weightage: 25 %

21 November 2015

Part A

[5 X 2 = 10 Marks]

Answer all Questions.

1. Define the term "Trial Balance"
2. Identify the major Account Groups that feature in a Balance Sheet
3. State the components of "Current Assets" in a Manufacturing Company.
4. Differentiate between "Capital" and "Reserves and Surplus"
5. Distinguish between "Bills Receivable" and "Bills Payable" and state the Group under which it is disclosed in the Balance Sheet

Part B

[4 X 5 = 20 Marks]

1. Differentiate between the following
 - a. Outstanding Expenses and Prepaid Expenses
 - b. Accrued Income and Unearned Income
 - c. Interest on Drawings and Interest on Capital
2. Differentiate between the following
 - a. Fixed Assets and Current Assets
 - b. Fixed Liabilities and Current Liabilities
 - c. Tangible Assets and Intangible Assets
3. Define the term "Cost of Goods Sold" State the components that make up the "Cost of Goods Sold"
4. Explain the term "Business Capital" and the adjustments that are made in the Capital Account after preparation of Profit & Loss Account and Balance Sheet.

Part C
[2 X 10 = 20 Marks]

1. At the end of the Accounting Year December 2014, the Accountant finds that the following transactions have not been recorded on the Books of Accounts.

Head of Account	Amount [\$]
Outstanding Salary at the end of the year	1,200
Goods given as charity during the year	500
Closing Stock as at the end of the year	7,000
Insurance paid for the period January 1, 2014 to June 30, 2015	1,500
Interest Earned but not received	600

Pass Journal Entries to adjust for these transactions

2. The following is a Profit and Loss Account of Ashok & Co. prepared by a untrained Accountant. It does not conform to the conventional Profit and Loss Account.

Expenditure	Rs	Income	Rs
Purchases	4,66,800	Sales	5,59,500
Closing Stock	55,110	Commission Received	47,070
Salaries	11,010	Interest on Capital	7,500
Drawings	19,170	Opening Stock	50,310
Wages	65,600	Discount Received	11,250
Office Rent	3,800	Discount Allowed	12,340
General Expenses	17,740	Purchase Returns	8,700
Interest on Loan	3,000	Sales Returns	12,400
Bad Debts	11,890		45,350
Net Profit	1,00,300		
	7,54,420		7,54,420

You are required to redraw the Profit and Loss Account in its proper form

Presidency University
School of Management

I Semester 2015-16

Test 2

Course: MBA A 105

Accounting for Managers [Closed Book]

Max. Marks 50

Max Time: 50 Min

Weightage: 25 %

21 November 2015

Part A
[5 X 2 = 10 Marks]

Answer all Questions.

1. State the components of the "Financial Statements" as it is collectively called.
2. Identify the major Account Groups that feature in a Profit and Loss Account.
3. Define "Provision for Bad and Doubtful Debts" and state the accounting concept behind it
4. Distinguish between "Long Term Debt" and "Short Term Debt"
5. Define "Fictitious Assets". Give three [3] examples.

Part B
[4 X 5 = 20 Marks]

1. What is meant by "Marshalling of Assets and Liabilities"? Give illustrative examples
2. State the reasons for the need of making adjustment entries before preparing Final Accounts. Give illustrative examples of any four adjustment entries
3. Write short notes on
 - a. Profit and Loss Account
 - b. Balance Sheet
 - c. Trial Balance
4. State the most appropriate answer. Give one-line reasons
 - i. Sales are equal to
 - a) Cost of Goods Sold + Gross Profit – Closing Stock
 - b) Cost of Goods Sold – Gross Profit + Closing Stock
 - c) Gross Profit – Cost of Goods Sold + Closing Stock
 - ii. Interest on Drawing is
 - a) Expenditure for the Business
 - b) Expense for the Business
 - c) Gain for the Business
 - iii. Goods lost in fire should be
 - a) Credited to the Profit and Loss Account
 - b) Credited to the Sales Account
 - c) Debited to Profit and Loss Account
 - iv. Outstanding Salaries are shown as
 - a) An Expense
 - b) A Current Liability
 - c) An Asset
 - v. Drawings are
 - a) Debited to Profit and Loss Account
 - b) Deducted from the Capital Account in the Balance Sheet
 - c) Credited to the Capital Account in the Balance Sheet.

Part C
[2 X 10 = 20 Marks]

1. Show how the following transactions will be reflected in the Profit and Loss Account and the Balance Sheet as on March 31, 2015

The following items are found in the Trial Balance of Ram and Co as on April 1, 2014

Head of Account	Debit[\$]	Credit [\$]
Provision for Bad and Doubtful Debts		2,500
Provision for Discount on Debtors		1,200
Sundry Debtors	48,000	
Bad Debts	3,000	
Discount on Debtors	2,000	

Other Information

- During the year additional Bad Debts to the extent of \$ 2,000 was recognised
- Additional Discount of \$ 1,600 offered
- Provision for Bad and Doubtful Debts to be kept at 10% as on the end of the year
- Provision for Discount on Debtors to be kept at 5% on Debtors

2. The following Trial Balance is extracted from the book of Ram & Co as on March 31, 2015.

Particulars	Debit [Rs]	Credit [Rs]
Furniture and Fittings	640	
Motor Vehicles	6,250	
Buildings	7,500	
Capital Account		12,500
Bad Debts	125	
Provision for Bad Debts		200
Sundry Debtors	3,800	
Sundry Creditors		2,500
Stock as on April 1, 2014	3,460	
Purchase	5,475	
Sales		15,450
Bank Overdraft		2,850
Sales Returns	200	
Purchase Returns		125
Advertisement	450	
Interest on Bank Overdraft	118	
Commission		375
Cash	650	
Taxes and Insurance	1,250	
General Expenses	782	
Salaries	3,300	
Total	34,000	34,000

The following adjustments are to made

- i. Stock on hand as on March 31, 2015 was Rs. 3,250
- ii. Depreciate on Building @ 5%, Furniture and Fittings @ 10% and Motor Vehicle @ 20%
- iii. Rs. 85 is due for interest on Bank Overdraft
- iv. Salaries Rs. 300 and Taxes Rs. 120 are outstanding
- v. Insurance amounting to Rs. 100 is prepaid
- vi. One third of the Commission Received is in respect of work to be done for next year
- vii. Write off a further sum of Rs. 100 as bad debts and provision for bad debts to be made equal to 10% on Sundry Debtors

Prepare the Profit and Loss Account for the year ended March 31, 2015

Q/B

Presidency University
School of Management
Itagalpura, Rajanukunte, Bangalore

Test 1
Accounting for Managers

Part A
[5 X 1 = 5 Marks]

Answer all Questions.

1. Define the term "Accounting".
2. State the components of the "Accounting Cycle"
3. List the end-users who use the accounting information offered by the accounting system
4. State the branches of Accounting
5. List at least five [5] Accounting Concepts
6. State the Accounting Equation and the accounting concept on which it is based
7. Define the "Journal".
8. Distinguish between "Ledger" and "Trial Balance" [basic difference only]
9. State the different types of "Accounts"
10. "Accounting is both a science and art". State why.

Part B
[6 X 5 = 30 Marks]

11. Define "Accounting" State its objectives. How does it differ from Book Keeping?
12. "Accounting is also seen as an Information System". How does it aid the various persons interested in the accounting information generated by the Accounting System
13. Explain the following Accounting Concepts
 - a. Separate Entity Concept
 - b. Realisation Concept
 - c. Going Concern Concept
14. Explain with two [2] examples the convention of "Conservatism"
15. Write short notes on
 - a. Dual Aspect Concept
 - b. Accounting Equation
 - c. Matching of "Cost to Revenue" Concept
16. Differentiate between the following
 - a. Fixed Assets and Current Assets
 - b. Fixed Liabilities and Current Liabilities
 - c. Capital Expenditure and Revenue Expenditure
17. Classify Accounts into its components and the rules of debit and credit associated with each

18. Define a "ledger". Post the following Journal Entries into the respective Ledger Accounts

Date	Particulars	Ledger Folio	Debit [Rs]	Credit [Rs]
2015 April 4	Cash Account Dr. To Capital		2,00,000	2,00,000
2015 April 6	Purchase Account..... Dr. To Cash		60,000	60,000
2015 April 8	Bank Account Dr. To Cash		50,000	50,000

19. Explain the meaning of the term "Journal" Journalise the following transaction

Date	Transaction	Amount [Rs]
September 3, 2015	Arun commenced business with capital [in Cash]	3,00,000
September 5, 2015	Deposited cash into bank	1,50,000
September 8, 2015	Purchased Machinery in credit from Mona Lisa & Co	80,000
September 10, 2015	Credit Sales to Hari	25,000

20. What is a "Trial Balance". Prepare a Trial Balance from the following Ledger Balances as extracted from the books of Mahesh & Co

Head of Accounts	Amount [Rs]
Cash Account	1,19,800
Interest Income	75,000
Bank Account	1,50,000
Furniture and Fixtures	20,000
Due to Vijay Ceramics Ltd	2,10,000
Capital Account	3,78,000
Monies Due from Mohan	65,000
Purchase Account	1,32,000
Sales Account	7,04,000
Purchase Returns Account	22,000
Sales Return Account	12,200
Drawing	50,000
Salaries	46,000
Stationery	4,000
Communications	34,000

21. Briefly discuss any five [5] main objectives of Accounting

22. State any four [4] qualitative characteristics of the Accounting Information System

Part C
[1 X 10 = 10 Marks]

23. Journalise the following transactions for the month of September 2015

Date	Nature of Transaction	Amount [Rs]
September 1, 2015	Ajit started business with Cash	4,00,000
September 10, 2015	Deposited Cash into Bank	80,000
September 12, 2015	Purchased Goods by Cheque	1,20,000
September 18, 2015	Sold Goods to Mohit on credit	1,30,000
September 21, 2015	Ajit returned good to supplier	40,000
September 28, 2015	Paid Salary by Cash	20,000
September 30, 2015	Withdrew cash for personal use	10,000

24. Given the following journal transactions create ledger accounts. Ledger accounts shall be duly balanced.

Date	Particulars	Ledger Folio	Debit [Rs]	Credit [Rs]
2015 April 4	Cash Account Dr. To Capital [Being capital introduced]		2,00,000	2,00,000
2015 April 6	Purchase Account..... Dr. To Cash [Being Cash Purchases]		60,000	60,000
2015 April 8	Bank Account Dr. To Cash [Being Cash deposited in Bank]		50,000	50,000
2015 April 14	Cash Account Dr. To Sales [Being Cash Sales]		1,00,000	1,00,000
2015 April 16	Purchase Account..... Dr. To Mohit & Co [Being goods purchased on Credit]		85,000	85,000
2015 April 18	Office Equipment Dr. To Cash [Being office equipment purchased by cash]		90,000	90,000
2015 April 20	Mohit Dr. To Bank [Being payment received from Mohit]		90,000	90,000

25. Define "Generally Accepted Accounting Principles" Discuss the following Basic Accounting Assumptions [sometimes referred to as Conventions or Concepts]

- a. Consistency
- b. Conservatism
- c. Full Disclosure
- d. Materiality