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Question Paper Code: CMBB02



INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

MBA I Semester End Examinations (Supplementary) - May, 2019

Regulation: IARE-R18

ACCOUNTING FOR MANAGEMENT

Time: 3 Hours

(MBA)

Max Marks: 70

Answer ONE Question from each Unit

All Questions Carry Equal Marks

All parts of the question must be answered in one place only

UNIT – I

1. (a) Define financial accounting. Explain functions and classification of accounts. [7M]
(b) Critically examine the significance of double entry system of accounting and its limitations. [7M]
2. (a) Explain accounting concepts, conventions and generally accepted accounting principles (GAAP) their implication on accounting system. [7M]
(b) Define accounting. Distinguish between book keeping and Accounting. [7M]

UNIT – II

3. (a) Explain the meaning of the journal and ledger. List out the uses of different types of subsidiary journals and ledgers proformas. [7M]
(b) Prepare three column cash book from the following transactions [7M]
 - i. July .1.2002:- balance of cash 500
 - ii. July.1.2002:- Balance at bank 2500
 - iii. July.3.2002:-Sold goods for cash 1640
 - iv. July.5.2002:-Paid into bank 500
4. (a) Explain the meaning of depreciation. List out the need for charging depreciation on fixed assets. [7M]

- (b) From the following particulars in Table 1 prepare sales book and sales returns book in the books of Ranga by taking relevant items. Also show the sales account and sales returns accounts in the ledger.

[7M]

Table 1

Date	Particulars	Amount in Rs.
1-6-2012	Sold goods to Mahesh	7,000
2nd	Sold goods for cash	2,000
3rd	Goods returned by Mahesh	500
4th	Goods sold to Rama	2,000
5th	Sold goods to Dharma Rao for Rs.3,500 which was paid by a cheque	
10th	Goods sold to Parameswar	1,500
15th	Sold goods to Rajesham	2,500
20th	Rajesham returned goods worth	300
25th	Purchased goods from Swamy & Sons	3,500
30th	Sold goods to Krishna	3,500
30th	Paid rent	300

UNIT – III

5. (a) Define equity shares. Distinguish between equity and preference shares. [7M]
- (b) Using the information provided by John Doe, you can compute the value of closing inventory, based on the FIFO inventory valuation method:
 Date Purchases: 1-Aug 120 units @ Rs. 120, 8-Aug 50 units @ Rs. 125, 16-Aug 20 units @ Rs. 140, 20-Aug 30 units @ Rs. 150, Date Sales: 6-Aug 100 units @ Rs. 140, 10-Aug 55 units @ Rs. 145, 25-Aug 40 units @ Rs. 160
 *Note: Only the quantity under the sales column is relevant for inventory valuation. The Sales prices of Rs.140, Rs. 145 and Rs. 160 are relevant for determining Total Sales. [7M]
6. (a) Define first in first out method. Discuss the disadvantages of first in first out method. [7M]
- (b) Rohan Ltd. Registered with an authorised capital of Rs.10, 00,000/- divided into shares Rs.20/- each. It issued 40,000 shares on to public per subscription payable as Rs.4/- on application, Rs.4/- on allotment, Rs.6/- on first call, Rs. 3/- on second call, Rs. 3/- final call. All the shares were subscribed and the money due were received with the exception of second and final call on 300 shares. Journalise. [7M]

UNIT – IV

7. (a) Define the term 'Cash Flow.' Explain the objects of cash flow analysis. [7M]
- (b) From the following Table 2 balance sheets of S. M. industries prepare a funds flow statement showing your workings clearly: [7M]

Table 2

Liabilities	2006	2007	Assets	2006	2007
Share Capital	60,000	65,000	Good Will	30,000	25,000
Profit and Loss A/c	34,000	26,000	Plant & Machinery	60,000	50,000
Current Liabilities	12,000	3,000	Current Assets	16,000	19,000
Total	1,06,000	94,000	Total	1,06,000	94,000

Additional Information:

- i. Depreciation of Rs.20,000 on plant and machinery was charged to Profit and Loss Account
 - ii. Dividends of Rs.12, 000 were paid during the year.
8. (a) Define funds flow. Explain the importance and distinguish between funds flow and cash flow statement. [7M]
- (b) From the following comparative balance sheet Table 3 of Sankalp Ltd. for the year 2011 and 2012 prepare cash flow statements. [7M]

Table 3

Liabilities	2011	2012	Assets	2011	2012
Equity Share	7,00,000	7,40,000	Cash	90,000	78,000
Capital			Debtors	1,42,000	1,69,000
10% Debenture	1,20,000	60,000	Stock	4,92,000	4,27,000
Creditors	1,03,600	1,18,400	Land	2,00,000	3,00,000
P&L a/c	1,00,400	1,05,600	Goodwill	1,00,000	50,000
Total	10,24,000	10,24,000	Total	10,24,000	10,24,000

UNIT – V

9. (a) “Ratio analysis is a tool to examine the health of business with a view to make financial results more intelligible.” Explain. [7M]
- (b) Table 4 is the Profit and Loss account to Electro Matrix Ltd. For the year ended 31st December, 2007 Calculate: GP Ratio, NP, Operating Profit , Operating Ratio, Administrative expenses Ratio [7M]

Table 4

Particulars	Rs.	Particulars	Rs.
To Opening Stock	1,00,000	By Sales	5,60,000
To Purchases	3,50,000	By Closing Stock	1,00,000
To Wages	9,000		
To Gross Profit-c/d	2,01,000		
Total	6,60,000		6,60,000
To Administration Expenses	20,000	By Gross Profit b/d	2,01,000
To Selling and Distribution Exp.	89,000	By Interest on Inv.	10,000
To Non-op. expenses	30,000	By Profit on sales of Inv.	8,000
To Net Profit	80,000		
Total	2,19,000	Total	2,19,000

10. (a) State the different types of financial analysis and discuss the limitations of analysis and interpretation of financial statements. [7M]
- (b) Prepare balance sheet with the following particulars
- | | |
|-----------------------------|----------|
| Stock Velocity | 6 times |
| Capital Turnover Ratio | 2 times |
| Fixed Assets Turnover | 4 times |
| Gross Profit Turnover Ratio | 20% |
| Debtors Velocity | 2 months |
| Creditors Velocity | 73 days |
- The gross profit was Rs.60, 000. Reserve & Surplus amounts to Rs.20, 000. Closing stock was Rs.5, 000 in excess of opening stock. [7M]