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MBAH 402

First Semester M.B.A. Examination, January 2017
BUSINESS ADMINISTRATION
Accounting for Managers

Time : 3 Hours

Max. Marks : 70

SECTION – A**(2×10=20)**

Note : Answer **any two** questions. **Each** carries **10** marks. Answer to the question should **not** exceed **five** pages **each**.

1. How to decide on capital structure of a company ? Explain the factors determining capital structure.
2. What are the legal requirements considered for preparation of financial statements ?
3. Explain the concepts and conventions of accounting.

SECTION – B**(3×12=36)**

Note : Answer **any three** questions. **Each** question carries **12** marks. Answer to the question should **not** exceed **six** pages.

4. From the following details, prepare a manufacturing and a Trading Account for the year ending 31st December 2017 :

	₹
Stock on 1-1-2017 :	
Raw materials	10,000
Work in process	5,000
Finished goods	20,000
Stock on 31-12-2017	
Work in process	15,000
Finished goods	30,000
Raw materials	5,000

P.T.O.



Direct wages	10,000
Salaries	5,000
Purchase of Raw materials	50,000
Carriage charges on purchase of raw materials	5,000
Advertisement	2,000
Factory power	5,000
Depreciation on Factory machines	5,000
Purchase of finished goods	30,000
Cartage paid on finished goods purchased	2,000

5. Raghu and Co. have bank accounts with two banks. Dena Bank and Uco Bank. On 31st December 2016 his Cash Book shows balance of Rs. 5,000 with Dena Bank and overdraft of Rs. 2,250 with Uco Bank. On further verification the following facts were discovered :

- A deposit of Rs. 1,500 made in Dena Bank on 20th December 2016 has been entered in the column for Uco Bank.
- A withdrawal of Rs. 500 from Uco Bank on 2nd November 2016 has been entered in the column for Dena Bank.
- The cheques of Rs. 500 and Rs. 750 deposited in Dena Bank on 1st December 2016, entered in Uco Bank column, have been dishonoured. The entries for dishonour have been made in Uco Bank column.
- Cheques were issued on 29th December 2016 on Dena Bank and Uco Bank of Rs. 10,000 and Rs. 1,000 respectively. These have not been cashed till 31st December 2016.
- Incidental charges of Rs. 10 and Rs. 25 charged by Dena Bank and Uco Bank respectively have not been entered in the books.
- Dena Bank has credited an interest of Rs. 50 and Uco Bank has charged interest of Rs. 275. These have not been recorded in the books.
- The deposit of Rs. 5,000 and Rs. 3,500 made into Dena Bank and Uco Bank respectively have not yet been credited to by them till 31st December 2016.

Draw up the two Bank reconciliation statements.



6. Enter into Rahul's cash book the following transactions, which took place on 28th February 2016 and balance the cash book.

- Feb. 1st Balance brought forward from the previous day. Cash in hand Rs. 60 and at bank Rs. 4,800.
- 2nd Instructed the bank to issue a bank draft for Rs. 3,000 in favour of Suresh. The bank charges Rs. 6 for issuing the draft.
- 8th Received a bank draft for Rs. 3,456 from Mahesh in full settlement of Rs. 3,600 due from him. Sent the draft to the bank.
- 10th Received a cheque from Rakesh for Rs. 1,200 allowed him a discount of Rs. 72.
- 16th Endorsed Rakesh's cheque in favour of Harish.
- 19th Sent a cheque for Rs. 30 in payment of school fees of Rahul's son.
- 25th Withdraw Rs. 300 from the bank.
- 28th Placed an order with Vikas for goods worth Rs. 600 and sent a cheque with the order.

7. A company provides depreciation on Plant and Machinery at 20% per annum on reducing balances. On 1st April 2004, the balance of the Plant and Machinery Account was Rs. 5,00,000. It was discovered in 2004-05 that :

- a) Rs. 25,000 being repairs to machinery incurred on 30th June 2002 had been capitalised.
- b) Rs. 50,000 being the cost of a generator purchased on 1st October 2001 had been written off to stores.

Director wants to correct the mistakes while finalising the accounts for the year ended 31st March 2005.

A plant that cost Rs. 40,000 on 30th September 2003 was scrapped and replaced with a more sophisticated one on 31st December 2004 by spending Rs. 60,000. Scrap realised Rs. 10,000.

Prepare the Plant and Machinery account as it would appear on 31st March 2005 after providing depreciation for the year. Show necessary working notes.

8. Bring out the scope, objectives and significance of financial management.



SECTION – C
(Compulsory)

Note : Answer to this question should **not** exceed **six** pages :

(1×14=14)

9. Following balances are extracted on 31st March 2016 from the books of Ra-Ra Ltd. :

Factory premises at cost	4,50,000	Share capital	
Plant and Machinery	3,49,160	30000, 7% preference	
Motor Lorries at cost	73,000	shares of ₹ 10 each	3,00,000
Sundry Debtors	1,21,780	60,000 Eq. shares of	
Bad debts written off	2,850	₹ 10 each	6,00,000
Rent, Rates and Taxes	28,400	Surplus A/c	16,240
Advertisement	19,500	Gross profit for the year	2,46,640
Cash in hand and bank	68,500	Provision for doubtful debts	9,000
Director's fees	3,600	Sundry creditors	1,29,640
Audit fees	10,000	Transfer fees	110
Stock on 31-3-2016	1,14,600	Accrued wages	12,840
Rent and taxes paid in advance	7,980	Staff Benevolent Fund	17,900
Salaries and wages	32,000		
Dividends paid on :			
Preference shares	21,000		
Equity shares	15,000		
Patents	15,000		
	13,32,370		13,32,370

The provision for doubtful debts is to be made upto ₹ 10,200. The factory premises, plant and machinery and motor lorries are to be depreciated by 3%, 15% and 20% respectively. The authorised capital of the company is ₹ 10,00,000 divided into 1,00,000 shares of ₹ 10 each. You are required to prepare

- i) Statement of profit and loss for the year ended 31st March, 2016.
- ii) Balance Sheet as at 31st March, 2016 in the form prescribed under the Companies Act, 2013.