

Faculty of Management Studies
University of Delhi
Accounting for Managers
MBA (FT)
Paper Code 6104 (New Course)
Unique Paper Code 410901104

Time Allowed: 3 Hours

Max. Marks: 70

Instructions: Attempt 5 questions in all. All questions carry equal marks

1. Balance sheet of J limited for the last 3 years:

Particulars	Year1	Year 2	Year3
Gross profit %	36	33.33	30
Stock turnover times	20	25	14
Average stock Rupees	38400	36000	70000
Average debtors Rupees	87500	168750	2,00,000
Income tax rate	25	25	25
Net income after tax as % of sales	6	7	12
Max. credit period allowed to customers days	60	60	30

You are required:

1. Prepare the Income Statement for all three years.
 2. Evaluate the position of the company regarding profitability and liquidity based on information supplied to you.
 3. What additional information is required to evaluate the position of the company? (14)
2. Jupiter company sold 20,000 crates of a soft drink at Rupees 120 during the year. Its beginning inventory consisted of 1000 crates at 70 per crate. The following purchases were made during the year: 5000 Crates at the rate Rupees 75, 8000 crates at the rate Rupees 76, 9000 crates at the rate Rupees 80. Operating expenses were 365,000. Income tax is payable at 30%.
- Required:
- a) Compute the net profit using FIFO and LIFO methods. Is the differences in profit under the two methods can be distributed as dividends justify your answer?
 - b) Which method LIFO or FIFO is applicable in India?
 - c) Suppose the company makes a purchase of 4000 crates at Rupees 85 on the last day of the reporting period. How the purchase does affects the company net profit and income tax expenses under the two methods? (14)
3. “An outsider, who reads the data relating to business as revealed by accounting statement, tends to assume that accounting gives an exact picture of the business.” Utilizing your understanding of
- a. Depreciation
 - b. Inventory control
 - c. Cash Flow Statement

Discuss the above statement. If possible support your answers with real life corporate India examples. (14)

4. Write short notes on the following:

- a. P/E ratio
- b. EPS
- c. Turnover ratios
- d. Dual aspect concept
- e. Accrual concept

(14)

5. (a) The following are the details of a machine acquired by A Ltd. in 2017:

Acquisition cost	Rs. 110,000
Estimated useful life	10 years
Estimated residual value	Rs. 10,000

A Ltd. uses the straight-line method of depreciation. In the year 2020 it reviewed and revised the estimated total useful life and the estimated residual value to 5 years and Rs. 40,000, respectively. Calculate the amount of depreciation that A Ltd. should charge p.a. over the remaining useful life of the machine. (7)

(b) Discuss how depreciation can be used for manipulation the books of account. Quote examples from Indian Corporate to articulate your case. (7)

6. On January 1 20XX Ramesh set up a real estate enterprise investing Rs 50,000. The activities of the business resulted in the following revenues and expenses for the calendar year 20XX:

Revenue from services	95,000
Salary expenses	13,200
Electricity expenses	1,400
Rent	48,000
Advertisement	25,000
Cash	30,000
Debtors	28,400
supplies	1,600
Equipment	35,000
Creditors	6,600
Loan payable	43,000
Drawing in cash	12,000

Prepare Income Statement and B/S

(14)