Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA (International Business) – SEMESTER 1 – EXAMINATION – SUMMER 2019

Subject Code:1519301 **Date:09/05/2019**

Subject Name: International Accounting Practices

Time: 02:30 PM To 05:30 PM **Total Marks: 70**

Instructions:

1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figures to the right indicate full marks.**

Marks

Q.1 Explain the terms **14**

(a) Steeped Fixed Cost
(b) Greenfield Investment
(c) Bad Debts
(d) Preproduction Cost
(e) XBRL
(f) Tax Haven
(g) Authorized Share Capital

Q.2 **(a)** **Journalize following transactions in the Book of Mr. Poorash for the month of March-2018** **07**

March-1 : He started business with Cash of ₹1,00,000, Stock of Goods of ₹50,000 and Furniture of ₹80,000.

March-5 : Taken a loan from a friend Chanakya of ₹50,000.

March-10 : Purchased goods of ₹50,000 from Sikandar at 12% trade discount

March-15 : Sold goods to Rashi of ₹50,000.

March-17 : Purchased goods of ₹40,000 from Bharat Ltd. at a trade discount of 10% and cash discount of 5% and paid half the amount by cheque.

March-25 : Paid ₹42,500 cash to Sikandar to settle his account. And Necessary cash was paid to Bharat Ltd. after deducting discount of ₹500 to settle the account.

(b) Briefly discuss the scope and importance of International Accounting. **07**

OR

(b) Explain Separate Entity Concept and Going Concern Concept with appropriate Examples. **07**

Q.3 **(a)** What do you understand by Tax Neutrality and Tax Equity. Explain the forms of Tax Neutrality in brief. **07**

(b) The following information from the Accounts of M/S Mafatlal and Sons is provided. **07**

Particular	**Sales (in ₹)**	**Profit (in ₹)**
Year 2011	1,20,000	8,000
Year 2012	1,40,000	13,000

Find out:

1. Profit Volume Ratio; 2. Bread Even Point; 3. Profit when sales are ₹ 1,80,000

4. Sales required to earn a Profit of ₹ 12,000

OR

Q.3 **(a)** Differentiate Financial Accounting and Cost Accounting **07**

(b) From the following annual account of New Horizon Limited you are required to calculate the following ratios and comment on the result. **07**

1. Gross Profit Ratio
2. Net Profit Ratio
3. Debt Collection Period
4. Current Ratio

Balance Sheet as on 31st March, 2018

Amount in ₹ '000

Share Capital	450
Retained Earnings	240
Total (A)	690
12% Debenture	700
Trade Creditors	620
Proposed Dividend	45
Total (B)	1365
Total (A + B)	**2055**
Fixed Assets (Net of Depreciation)	875
Stocks	310
Debtors	770
Bank Balance	100
Total	**2055**

Extracts from year's Profit & Loss Account:

	Amount in ₹
Sales for the year	31,00,000
Gross Profit	17,25,000
Expenses	8,05,000
Depreciation	2,50,000

Q.4 **(a)** Apple International Ltd. is manufacturing a product which passes through two process i.e. P-1 and P-2. The following information is obtained from the accounts for the week ending 31st October, 2015: **07**

Items	**P-1**	**P-2**
Direct Material (In ₹)	26,000	19,800
Direct Wages (In ₹)	20,000	30,000
Output (in Units)	9,500	8,400

Production overhead are 100% of Direct Wages

10,000 units at ₹3 each were introduced to P-I. There was no stock of material or work-in-progress at the beginning or at the end of the period. The output of each process passes direct to the next process and finally to finished stock. The following additional data are obtained:

Process	**Normal loss**	**Value Per Unit**
P-I	5%	2
P-II	10%	4

Prepare Process Accounts along with Abnormal Gain / Loss Accounts.

Q-4 (b) The following particulars are obtained from the books of M/S Prerna & Co. for the year 2016. **07**

Particular	**Amount ₹**
Direct Materials	15,00,000
Direct Wages	8,00,000
Works Overheads	10,00,000
Office Overheads	3,00,000
Selling Overheads	4,00,000
Sales	45,00,000

Workout the price the company should quote for a product in the year 2017, which is estimated will require an expenditure of ₹2,00,000 in Direct Materials and ₹1,60,000 in Direct Wages. (Office and Selling overheads are based on works cost, whereas the works overheads are based on the direct wages.)

Prepare the cost sheet for the year 2016 and tender cost sheet for the year 2017 showing the price at which the units will be sold so as to earn the same rate of profit on cost as in the year 2016.

OR

Q.4 **A company expects to have** ₹ 37,500 cash in hand on 1st April, and requires to prepare an estimate of cash position during the three months i.e. April to June. The following information is supplied. **14**

(Amount in ₹)

Month	**Sales**	**Purchases**	**Wages**	**Factory Expenses**	**Office Expenses**	**Selling Expenses**
February	75,000	45,000	9,000	7,500	6,000	4,500
March	84,000	48,000	9,750	8,250	6,000	4,500
April	90,000	52,500	10,500	9,000	6,000	5,250
May	1,20,000	60,000	13,500	11,250	6,000	6,570
June	1,35,000	60,000	14,250	14,000	7,000	7,000

Other information:

1. Period of Credit allowed by suppliers are 2 months
2. 20% of sales are for cash and period of credit allowed to customers for credit is one month
3. Delay in payment of all expenses is 1 month
4. Income tax of ₹57,500 is due to be paid on June 15th.
5. The company is to pay dividends to shareholders and bonus to workers of ₹15,000 and ₹22,500 respectively in the month of April.
6. Plant has been ordered to be received and paid in May. It will cost ₹1,20,000.

Q.5 The annual flexible budget of the Global Manufacturing company is as follows: **14**

(Amount in ₹)

Costs	At 60%	At 80%	At 100%
Direct Material	90,000	1,20,000	1,50,000
Direct Wages	1,20,000	1,60,000	2,00,000
Factory Overheads	70,000	80,000	90,000
Administrative Overheads	30,000	35,000	40,000
Selling and Distribution Expenses	50,000	58,000	66,000

The company is presently working at 50% capacity. The sales value of production at current prices is ₹3,20,000. It is anticipated that a 5% discount in the selling price will enable the company to improve its competitive position, thereby enabling it to operate at 75% capacity.

Prepare flexible budget for 50% and 75% capacity, find out profit and give your recommendations to management.

OR

Q.5 **The Trial Balance of Balaji Wafers Pvt. Ltd., Rajkot as on 31-3-2010 was as under. Prepare Final Accounts as per companies Act.** **14**

Particular	Debit ₹	Particular	Credit ₹
Opening stock	40,000	Equity Share Capital	12,00,000
Purchases	16,60,000	12% Preference Share Capital	3,00,000
Good Return	80,000	10% Redeemable Debenture	3,00,000
Land and building	10,00,000	Sales	31,00,000
Plant and machinery	6,00,000	Goods return	60,000
Debtors	4,00,000	creditors	1,00,000
Octroi	1,80,000	Loan of director	40,000
Selling and distribution exp.	40,000	Interest of investment	16,000
Carriage outward	16,000	Staff pension fund	16,000
Wages	6,80,000	Bills payable	20,000
Administrative exp.	1,70,000	Fixed deposit	48,000
Vehicles	1,20,000	General reserve	1,40,000
Telephone deposit	20,000	Share forfeiture a/c.	20,000
Director's fees	20,000	Profit and loss a/c (1-4-2009)	1,60,000
Interest on debenture	12,000		
Investments	3,00,000		
Discount on debenture	80,000		
Loose tools	12,000		
Bills receivable	40,000		
Cash and bank	50,000		
Total	**55,20,000**	**Total**	**55,20,000**

Additional Information:

(1) Authorised capital of the company is 13,000 equity shares of 100 each and 12% 3000 preference shares of 100 each.

(2) Closing stock is valued at `1,80,000

(3) Depreciate Land and Building by 10%, Plant and Machinery by 20% and vehicles by 30%.

(4) Interest receivable on investments is `24,000.

(5) Provide bad debts reserve on debtors by 10%.

(6) Transfer `50,000 to general reserve.

(7) The director have proposed 10% dividend on Equity share capital.

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