

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
FIRST TRIMESTER (Batch 2021-23)
END TERM EXAMINATIONS, OCTOBER-2021

Course Name	ACCOUNTING FOR BUSINESS	Course Code	20201
Max. Time	2 hours	Max. Marks	40 MM

INSTRUCTIONS:

- a. Attempt all questions
- b. This is a closed book exam

Qs 1 (2+2+2=6 Marks)

Harbor Corp. had the following situations during the year: (5 marks)

- a. Inventory with a cost Rs. 186400 is reported at its market value of Rs. 235600.
- b. Harbor's CEO purchased a yacht for personal use and charged it to the company.
- c. Revenues of Rs. 25000 earned in the prior year were recorded in the current year.

Required:

Explain how Harbour should treat each of the above transactions according to the appropriate accounting concepts.

Qs 2 (5 Marks)

Meredith Snelson started Campus Pizzeria, Inc., on August 1. Snelson was the sole owner of the corporation. The following transactions took place in August. Analyze the effect of the transactions on Accounting Equation for Pizzeria, Inc. for the month of August. (5 marks)

1. August 1, Snelson invested \$5,000 in the business as owner.
2. Equipment costing \$7,200 was purchased for cash.
3. An initial inventory of Pizza ingredients and boxes was purchased on credit for \$800.
4. In August, Pizza sales were \$12,000, all for cash.
5. On August 13, the firm catered a party for a fee of \$200. Because the customer was a friend of Snelson, the customer was told that payment could be made later in the month.

Qs 3 (9 Marks)

From the following Trial Balance of Zenith Ltd., develop statement of profit & loss and balance sheet and advise whether Zenith should pay dividends or not.

Trial Balance as on 31st March 2015

Accounts	Debit (Rs.)	Credit(Rs.)
Capital		20000
Trade payables		2400
Sales		32800
Purchases	20600	
Trade Receivable	4800	
Plant & Machinery	7600	
Wages	10000	
Bank	3600	

Opening Stock	4000	
Factory expenses	1600	
Office rent	800	
Salary	2200	
	55200	55200

Additional information:

1. Closing stock was valued at Rs.1450.
2. Provide for depreciation on Plant & Machinery Rs.400
3. Rs.1000 received in advance from a customer.
4. Rent Rs.1000 paid in advance.
5. Wages Rs.500 due but not paid.

Qs 4 (5+5=10 Marks)

Susan Crossing purchased a used Ford Focus for \$12000. Since purchasing the car, she has spent the following amount on parts and labor:

New Stereo System	\$ 1500
New paint Job	\$2500
New Tyres	\$ 1200
New muffler	\$ 250
Total	\$5450

Unfortunately, the car needs a few major repairs now; among other things, the brake rotors and pads must be replaced, and the radiator has sprung a leak. (A new radiator is needed.) The repairs are estimated to cost \$2500. Susan has looked around at other used cars and has found a used Honda Civic for \$10,500 that is in very good condition and is approximately the same age as the Ford Focus. Susan can sell the Ford "as is" for \$ 8,500.

As a management accountant you are required to suggest based on the following situation:

- a. In trying to decide whether to repair the Ford Focus or buy the Honda Civic, Susan is upset because she has already spent \$17450 on the Focus. The car seems like it costs too much to sell at such a large loss. How would you react to her dilemma?
- b. Assuming that Susan would be equally happy with either the Ford Focus or the Honda Civic should she buy the Civic or repair the Focus? Explain your answer.

Qs 5 (10 Marks)

The accountant at Supreme audio resigned while in the midst of preparing the budget for 2016. His work papers indicated the following:

Budgeted Sales and Inventory Purchases for 2016

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Sales in 2015	\$ 256000	\$ 300000	\$ 290000	\$ 368000	\$ 1214000
Expected sales in 2016	\$ 320000	\$	\$	\$	\$
Cost of Sales	\$ 192000	\$	\$	\$	\$
Beginning Inventory	\$ 69500	\$	\$	\$	\$
Ending Inventory	\$	\$	\$	\$	\$
Purchases	\$	\$	\$	\$	\$

Assumptions:

Sales will increase by 25% over 2015.

Cost of sales equals to 60% of sales.

For 2016, ending inventory should equal 35% of the cost of sales for the next quarter.

Sales in the first quarter of 2017 will be \$3,00,000.

As a Management accountant you are required to determine the sales and purchases budgets for 2016.