

 <b>XLRI Jamshedpur</b> <i>School of Business &amp; Human Resources</i>		<b>BM (Set A)</b>	
<b>Management Accounting – I</b>			
<b>Weightage</b>	<b>10%</b>	<b>Duration</b>	<b>60 minutes</b>

Name \_\_\_\_\_

Roll No. \_\_\_\_\_

**INSTRUCTIONS**

1. Answer all questions. Fill all answers on the answer sheet provided.
  2. Students cannot use laptop.
  3. Students cannot bring their mobiles inside exam room.
  4. You are not allowed to borrow book, paper, calculators, etc.
- Anyone who resorts to unfair practices, as judged by the examiner, the minimum penalty will be zero in this segment of evaluation, while the maximum penalty could be expulsion from the institute. There will be no further warnings.

**[Each Correct answer + 0.25 marks; Wrong Answer/No Attempt – 0.25 marks]**

1. One of the basic purpose of an accounting system is to:
  - A. Provide useful information to decision makers as much as possible, regardless of cost.
  - B. Prepare financial statements in conformity with generally accepted accounting principles.
  - C. Give an understanding of the basis of the existing accounting concepts, postulates, principles and standards.
  - D. Meet an organization's need for accounting information as efficiently as possible.
  - E. None of the above
  
2. Although accounting information is widely used by a variety of external parties, financial reporting is primarily directed toward the information needs of:
  - A. Accountants.
  - B. Customers.
  - C. Equity Analysts, Fund Managers and Credit Rating Agencies
  - D. Trade associations and labor unions.
  - E. Investors and creditors.
  
3. A profit making business operation as a separate legal entity and in which ownership is divided into equity shares is known as a:
  - A. Limited Liability Partnership
  - B. Sole Proprietorship
  - C. Partnership
  - D. Limited Liability Company
  - E. A, C, and D

4. Which of the following is true about a partnership?
  - A. All partners have invested an equal amount of capital.
  - B. All partners are personally liable for the debts of the business.
  - C. Partnerships do not get favorable tax treatment compared to companies.
  - D. In a partnership, a partner is entitled to all the profits of the entity and is also responsible for all of its debts.
  - E. None of the above
  
5. Which of the following are true?
  - A. There are more proprietorships than limited liability companies in India.
  - B. The revenue produced by companies is less than that produced by partnerships.
  - C. As soon as the turnover of a business exceeds a fixed sum it must become a company.
  - D. The revenue produced by companies exceeds the combined revenues produced by partnerships and proprietorships.
  - E. All of the above
  
6. The basic functions of an accounting system include which of the following?
  - A. Interpreting and recording the effects of business transactions
  - B. Classifying the effects of similar transactions
  - C. Summarizing and communicating the information contained in the system
  - D. Only A and B
  - E. A, B, and C
  
7. Which of the following enhances the integrity of accounting information?
  - A. Institutional features can add significantly to the integrity
  - B. Professional accounting organizations play a significant role
  - C. Personal competence, judgment, and ethical behavior play a role
  - D. All of the above
  - E. Only A and B
  
8. The 'going concern' concept assumes that:
  - A. The business is continuing to be profitable.
  - B. The business is causing concern to investors.
  - C. The business can continue in operational existence for the foreseeable future.
  - D. The business cannot continue in operational existence for the foreseeable future.
  - E. Only A and C
  
9. Which of the following is not a characteristic of management accounting information?
  - A. Timeliness is of importance
  - B. Decision-making authority is identified
  - C. Historically oriented

- D. Measures efficiency and effectiveness
- E. A means to an end, not an end in and of itself

10. Management accounting deals with the preparation and use of accounting information systems to achieve the organization's objectives by supporting decision makers outside the enterprise.
- A. True
  - B. False
  - C. True, when the business is sticking to the idea of capital maintenance
  - D. False, when the idea of capital maintenance is violated
  - E. Can't say

**Answer question 11-13 referring the paragraph below.**

Namrata Singh, a shareholder who held shares in Garware Marine Limited (GML), listed on the Bombay Stock Exchange, has recently gone bankrupt. It is also known that GML's share price has nose-dived to 30% level of what she had seen six months ago.

11. The bankruptcy will not affect the financial health or activities of GML due to the concept of:
- A. Materiality
  - B. Property Rights
  - C. Going Concern
  - D. Score Keeping
  - E. None of the above
12. Based on the above limited facts, we can state that GML is definitely:
- A. A bankrupt firm because, there is a fundamental change in its business
  - B. A going concern because, there is no fundamental change in its business
  - C. A startup firm because, there is large scale fluctuation in its share price
  - D. Not a going concern because, there is a change in its funds availability
  - E. Can't say
13. If it is known that the above scenario of GML is due to a new technology. Hence, the company GML's revenue has decreased so drastically that it is unable to pay its creditors, loans and other financial obligations. In that case, we would expect at least \_\_\_\_\_ to question the GML's financial statement pertaining to its going concern.
- A. External auditors, Messer's Mani Shankar Dhara & Associates, CAs
  - B. Internal auditors headed by controller Pradeep Sidana
  - C. Management led by its CEO Vineet Kumar Joshi
  - D. Namrata Singh, the bankrupt shareholder
  - E. Muthu Kumar Rajendran, the biggest shareholder of the company

**Answer question 14-16 referring the paragraph below.**

Chachhi & Chacha Limited was a company headed by Aashish Chachhi. Aashish had two accountants in his firm, namely, Navroz Singh Dhillon and Aadith Raman. On the last working day of the current accounting period, Aashish started totaling the cash account of the firm to ensure that it was tallying with the accounts prepared by the two accountants.

The cash kept in the cash chest totaled to Rs 184.00/-. The deposits on call amounted to Rs 2,840.00/-. The firm's balance in the current account of the local SBI bank amounted to Rs 8,90,008.00/-. Of this bank balance, an amount of Rs. 2,28,000.00/- was categorized specifically for the purchase of a second hand Tractor from Nayan Goswami, a seconds automobile dealer. Bank of Baroda, was another banker of Chachhi & Chacha Limited. In that account, the firm had balance of only Rs 1,800.00/-. The firm's cash chest also had two notes of Singapore totaling SG \$ 20,000.00/-. The price of 1 Singapore dollar = 33.40 Indian Rupees.

14. Cash balance in the firm will be equal to

- A. Rs. 8,94,832.00/-
- B. Rs. 6,66,832.00/-
- C. Rs. 13,34,832.00/-
- D. Rs 13,31,992.00/-
- E. None of the above

15. Chachi & Chacha Limited would surely have the following item in its balance sheet:

- A. Marketable Securites
- B. Accounts Receivable
- C. Other Assets
- D. Inventory
- E. Prepaid Expenses & Advances

16. The fixed assets of Chachi and Chacha Limited would be:

- A. More than Rs. 2,00,000.00/-
- B. More than Rs 1,00,000/- but less than Rs 2,00,000.00/-
- C. More than Rs. 10,000/- but less than Rs 1,00,000.00/-
- D. Less than Rs 10,000/-
- E. None of the above

17. Abhinav Agarwal purchased a second hand plant to expand his edible oil refining business. The plant would be valued at

- A. Net Realizable Value
- B. Cost of delivery
- C. Cost of delivery, unpacking, and assembly
- D. Cost of delivery, unpacking, assembly, and erection
- E. Lower of (A) or (D)

**Answer question 18-29 referring the problem below.**

Rewanchal Prakash Sinha passed his MBA and started a software firm, titled Rewanchal Software Limited (RSL). The following are the list of Transactions for RSL:

- ◆ On March 1, Rewanchal & others invest Rs. 50,000 in cash in RSL.
- ◆ On March 2, Rewanchal took a loan of Rs. 20,000 from Venugopal for RSL. Being a nice friend, Venugopal does not demand any interest on the loan amount and asks it to be repaid in six months time.
- ◆ On March 3, RSL purchased for cash two computers, each costing Rs. 29,000.
- ◆ On March 4, RSL purchased supplies especially stationary for Rs. 6,000 on credit.
- ◆ On March 19, RSL completes its maiden sale of software to a retail store and receives a price of Rs. 12,000.
- ◆ On March 21, RSL pays Rs. 2,000 to its creditors for supplies.
- ◆ On March 29, RSL pays salaries to its employees, amounting to Rs. 4,000 and as office rent Rs. 1,200.
- ◆ On March 29, one of the employees dies due to heart attack (at his residence).
- ◆ On March 30, RSL delivers a software package for a shoe shop. The customer agrees to pay the price of Rs. 8,000 a week later.
- ◆ On March 31, Infosys calls up Ram and proposes to acquire RSL at Rs 1,00,000. It also emails a note to the same effect.
- ◆ On March 31, Rewanchal withdraws Rs. 3,500 for his personal use (as profit share).
- ◆ At the end of the account period RSL decides on depreciation of the computers by Rs 1,700 and also found that supplies worth Rs. 2,300 were consumed by RSL.

You are required to prepare its position statement after all the above transactions and adjustments. After it is done – please answer the following questions:

18. The cash and bank balance would be:

- A. Less than Rs. 5,000/-
- B. Above Rs 5,001 and Less than Rs 10,000/-
- C. Above Rs 10,001 and Less than Rs 25,000/-
- D. Above Rs 25,001 and Less than Rs 50,000/-
- E. Above Rs 50,001/-

19. The sundry debtors would be:

- A. Less than Rs. 5,000/-
- B. Above Rs 5,001 and Less than Rs 10,000/-
- C. Above Rs 10,001 and Less than Rs 25,000/-
- D. Above Rs 25,001 and Less than Rs 50,000/-
- E. Above Rs 50,001/-

20. The supplies balance would be:

- A. Less than Rs. 5,000/-
- B. Above Rs 5,001 and Less than Rs 10,000/-
- C. Above Rs 10,001 and Less than Rs 25,000/-
- D. Above Rs 25,001 and Less than Rs 50,000/-
- E. Above Rs 50,001/-

21. The total current assets would be:

- A. Less than Rs. 5,000/-
- B. Above Rs 5,001 and Less than Rs 10,000/-
- C. Above Rs 10,001 and Less than Rs 25,000/-
- D. Above Rs 25,001 and Less than Rs 50,000/-
- E. Above Rs 50,001/-

22. The net fixed assets balance would be:

- A. Less than Rs. 5,000/-
- B. Above Rs 5,001 and Less than Rs 10,000/-
- C. Above Rs 10,001 and Less than Rs 56,000/-
- D. Above Rs 56,001 and Less than Rs 57,000/-
- E. Above Rs 57,001/-

23. The net current assets balance would be:

- A. Less than Rs. 5,000/-
- B. Above Rs 5,001 and Less than Rs 10,000/-
- C. Above Rs 10,001 and Less than Rs 25,000/-
- D. Above Rs 25,001 and Less than Rs 50,000/-
- E. Above Rs 50,001/-

24. The liabilities balance would be:

- A. Less than Rs. 5,000/-
- B. Above Rs 5,001 and Less than Rs 10,000/-
- C. Above Rs 10,001 and Less than Rs 25,000/-
- D. Above Rs 25,001 and Less than Rs 50,000/-
- E. Above Rs 50,001/-

25. The profit retained (i.e., retained earnings) balance would be:

- A. Less than Rs. 5,000/-
- B. Above Rs 5,001 and Less than Rs 10,000/-
- C. Above Rs 10,001 and Less than Rs 11,000/-
- D. Above Rs 11,001 and Less than Rs 20,000/-
- E. Above Rs 20,001/-

26. The net worth of RSL would be:

- A. Less than Rs. 5,000/-
- B. Above Rs 5,001 and Less than Rs 10,000/-
- C. Above Rs 10,001 and Less than Rs 25,000/-
- D. Above Rs 25,001 and Less than Rs 50,000/-
- E. Above Rs 50,001/-

27. The total assets would be:

- A. Less than Rs. 5,000/-
- B. Above Rs 5,001 and Less than Rs 10,000/-
- C. Above Rs 10,001 and Less than Rs 25,000/-
- D. Above Rs 25,001 and Less than Rs 50,000/-
- E. Above Rs 50,001/-

28. If Infosys purchases this firm for Rs. 1,00,000/- then the goodwill of Infosys will be:

- A. Less than Rs. 5,000/-
- B. Above Rs 5,001 and Less than Rs 10,000/-
- C. Above Rs 10,001 and Less than Rs 25,000/-
- D. Above Rs 25,001 and Less than Rs 50,000/-
- E. Above Rs 50,001/-

29. The firm should ideally choose to operate as a:

- A. Sole Proprietorship
- B. Trust
- C. Limited Liability Partnership
- D. Limited Liability Company
- E. Can't say

30. The profit retained by any entity is categorized as part of:

- A. Owners equity
- B. Revenue reserves
- C. Total shareholders' funds
- D. All of the above
- E. None of the above

31. The shareholders (also often) pay in the \_\_\_\_\_ of the firm:

- A. Capital reserves
- B. Debentures
- C. Preference shares
- D. Revenue reserves
- E. All of the above