

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA – SEMESTER - I – EXAMINATION – WINTER 2021**

**Subject Code:1519301****Date: 11/03/2022****Subject Name: International Accounting Practices****Time:10:30 AM TO 01:30 PM****Total Marks: 70****Instructions:**

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

- Q.1** Explain the following **14**
- (a) IFRS
  - (b) International Tax Planning
  - (c) International Finance
  - (d) Conservation Concept
  - (e) Expense
  - (f) Tax Haven
  - (g) Foreign Exchange Risk

- Q.2** (a) What is International Accounting? Discuss scope of International Accounting. **07**
- (b) Discuss the objectives of financial statement analysis. **07**

**OR**

- (b) Write a note on the role of Financial Accounting Standard Board (FASB). **07**
- Q.3** (a) What are the objectives of International Taxation? **07**
- (b) Prepare flexible budget for overhead expenses on the basis of the following data and determine the overhead rates at 70%, 80% and 90% plant capacity. **07**

	At 80% Capacity (₹)
Variable Overheads:	
Indirect Labour	12,000
Stores including spares	4,000
Semi-Variable Overheads:	
Power (30% Fixed, 70% Variable)	20,000
Repairs & Maintenance (60% Fixed, 40% Variable)	2,000
Fixed Overheads:	
Depreciation	11,000
Insurance	3,000
Salaries	10,000
Total Overheads	60,000
Estimated Direct Labour Hours	1,24,000 hrs

**OR**

- Q.3** (a) Briefly discuss functions of International Finance Manager. **07**
- (b) From the following information, interpret the results of operations of a manufacturing concern using Trend Ratios. Use 2007 as the base. **07**

(Amount in ₹ Lakh for the year ended)

Year	2007	2008	2009	2010
Net Sales	100.00	95.00	120.00	130.00
Cost of Goods Sold	60.00	58.00	69.60	72.80
Gross Profit	40.00	36.10	50.40	57.20
Operating Expenses	10.00	9.70	11.00	12.00
Net Operating Profit	30.00	26.40	39.40	45.20

- Q.4 (a) XYZ Ltd manufactures and sells three chemicals by consecutive processes known as X, Y and Z. In each process 2% of total weight put in is lost and 10% is scrap, which from processes X & Y realized ₹100 a tonne and from Z ₹200 a tonne. The products of the three processes are dealt with as follows: 07

	X	Y	Z
Sent to warehouse for sale	25%	50%	100%
Passed on the next process	75%	50%	—
The following particulars relate to the month of May:			
Materials used (tonnes)	1,000	140	1,348
Cost per tonne of materials (₹)	120	200	80
Manufacturing Expenses (₹)	30,800	25,760	18,100

Prepare an account for each process, showing the cost per tonne of each product.

- (b) From the following information prepare a Comparative Balance Sheet. 07

	31 <sup>st</sup> March 2011 (₹)	31 <sup>st</sup> March 2012 (₹)
Equity Share Capital	4,00,000	6,00,000
Debentures	2,00,000	3,25,000
Sundry Creditors	2,55,000	1,17,000
Bank Overdraft	7,000	10,000
<b>Total Liabilities and Capital</b>	<b>8,62,000</b>	<b>10,52,000</b>
Plant & Machinery	1,00,000	2,00,000
Land & Building	3,60,000	5,40,000
Investments	2,70,000	1,70,000
Sundry Debtors	1,00,000	88,000
Cash in hand	32,000	54,000
<b>Total Assets</b>	<b>8,62,000</b>	<b>10,52,000</b>

OR

- Q.4 (a) The following is data is given: 07

	₹
Selling Price	20 per unit
Variable Manufacturing Costs	11 per unit
Variable Selling Costs	3 per unit
Fixed Factory Overheads	5,40,000 per year
Fixed Selling Costs	2,52,000 per year

You are required to compute:

- Break even point expressed in amount of sales in rupees;
- Number of units that must be sold to earn profit of ₹60,000 per year;

c) How many units must be sold to earn a net income of 10% of sales?

(b) Journalize the following transactions:

07

2015 January

1<sup>st</sup> Rajini started business with a capital of ₹ 50,000.

2<sup>nd</sup> She purchased furniture for ₹ 5,000

3<sup>rd</sup> She bought goods on credit from Vinod for ₹ 8,000

14<sup>th</sup> She sold goods to Suresh for ₹ 5,000.

15<sup>th</sup> She received cash from Suresh ₹ 3,000

18<sup>th</sup> She purchased goods for cash ₹ 12,000

25<sup>th</sup> She sold goods for cash ₹ 8,000

28<sup>th</sup> She paid rent ₹1,200.

31<sup>st</sup> She paid Vinod ₹3,000 on account.

## Balance Sheet as on 31 December 2010

Liabilities	₹	Assets	₹
Equity Share Capital	24,00,000	Net Fixed Assets	12,10,000
10% Debentures	4,60,000	Cash	4,40,000
Sundry Creditors	3,30,000	Sundry Debtors	5,50,000
Bills Payable	4,40,000	Stock	16,50,000
Other Current Liabilities	2,20,000		
	38,50,000		38,50,000

## Statement of Profit for the year ending 31 December 2010

	₹	₹
Sales		55,00,000
Less: Cost of Goods Sold		
Materials	20,90,000	
Wages	13,20,000	
Factory Overheads	6,49,000	40,59,000
Gross Profit		14,41,000
Less: Selling and Distribution Cost	5,50,000	
Administration & General Expenses	6,14,000	11,64,000
Earnings Before Interest & Taxes		2,77,000
Less: Interest Charges		46,000
Earning Before Taxes		2,31,000
Less: Taxes (50%)		1,15,500
Net Profit		1,15,500

Ratios Considered	Industry
Current Assets/Current Liabilities	2.4
Sales/Debtors	8.0
Sales/Stocks	9.8
Sales/Total Assets	2.0
Net Profit/Sales	3.3%
Net Profit/Total Assets	6.6%
Net Profit/Net worth	10.7%
Total Debts/Total Assets	60%

- Determine the indicated ratios for B C Co. and
- Comment on the company's strength and weaknesses based on your answer and industry averages.

**OR**

The controller of Hindustan Housewares Co. instructs you to prepare a monthly cash budget for the next three months. You are presented with the following budget information:

	March (₹)	April (₹)	May (₹)
Sales	6,50,000	6,50,000	6,50,000
Manufacturing Costs	3,50,000	3,70,000	4,30,000
Selling & Administration expenses	1,75,000	2,25,000	2,45,000
Capital Expenditures	—	—	1,60,000

The company expects to sell about 10% of its merchandise for cash. Of sales on account, 70% are expected to be collected in full in the month following the sale and the remainder the following month. Depreciation, insurance and property tax expense represent ₹ 25,000 of the estimated monthly manufacturing costs. The annual insurance premium is paid in July, and the annual property taxes are paid in November. Of the remainder of the manufacturing costs, 80% are expected to be paid in the month in which they are incurred and the balance in the following month.

Current assets as of March 1 include cash of ₹30,000, marketable securities of ₹1,05,000, and accounts receivable of ₹7,50,000 (₹6,00,000 from February sales and ₹1,50,000 from January sales). Sales on account for January and February were ₹5,00,000 and ₹6,00,000 respectively. Current liabilities as of March 1 include ₹1,20,000, 15% 90 day note payable due May 20 and ₹60,000 of accounts payable incurred in February for manufacturing costs. All selling and administration expenses are paid in cash in the period they are incurred. It is expected that ₹1,800 in dividend will be received in March. An estimated income tax payment of ₹46,000 will be made in April. The regular quarterly dividend of ₹12,000 is expected to be declared in April and paid in May. Management desires to maintain cash balance of ₹40,000.

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