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A+ NAAC

University Theory Examination – FEBRUARY 26

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COURSE: MBA	Specialization: OPERATIONS MANAGEMENT	Date: 08/03/2026
Year: 1st YEAR	Semester: 1st SEMESTER	Subject Code: MMBA22003
Subject Name: BASIC ACCOUNTING FOR MANAGERS		

Please tick the questions you have attended in the box

Part A	1	2	3	4	5	6	7	8	9	10
	✓	✓		✓	✓		✓		✓	

Part B	11	12	13	14	15	16	17	18	19	20
	✓			✓		✓		✓	✓	

Part C	21
	✓

PART B

11. Accounting inforamtion refers to financial data collected and presented through accounting records and financial statements. It helps various users in making Economic and Managerial decisions

1. Internal Uses of Accounting Information

internal users ~~are~~ people with in the organization such as Managers and Employees. They use accounting information for planning and controlling business activities.

a) Mangerial decision Making

Mangers use accounting information to make decisions regarding production, pricing, and investment.

b) Planning and budgeting

Accounting information helps in preparing budgets and planning future business activities.

c) Performance Evaluation

Management uses financial data to evaluate the performance of departments and Employees.

d) Cost control

Accounting Information helps identify Unnecessary Expenses and Control operational costs.

e) Resource Allocation

It helps managers allocate resources efficiently for better profitability

2. External Users of Accounting Information

External Users are people outside the organization who are interested in financial position of business.

a) Investors :

investors analyze accounting reports to decide whether to invest in the company

b) Creditors and Lenders :

Banks and financial institutions use accounting information to evaluate the credit-worthiness of a business befor giving Loans.

c) Government :

Government authorities use accounting data to asses taxes and ensure legal compliance.

d) Suppliers :

Suppliers review financial information to determine the ability of a company to pay for goods purchased on credit.

e) public and Analysts :-

The public and ~~analysts~~ financial analysts use accounting information to evaluate the financial health of an organization

Summary:

Accounting information plays an important role in business operations. It helps Internal management in planning and control, while External stakeholders use it to make investment, credit, and regulatory decisions.

14. ## Types of Assets

Assets are the resource owned by a business that have economic value and are capable of providing future benefits. Assets are recorded in the balance sheet and help in carrying out business operations.

1. Fixed Assets

Fixed assets are long-term assets used in the business for a long period. They are not ~~account~~ for ~~make~~ resale but are used to generate income.

Example :-

- Land and building
- plant and Machinery
- furniture
- vehicles
- Equipment

These Assets usually undergo depreciation except land.

2. Current Assets.

current assets are short-term assets that can be converted in to cash within one year.

They are required for day-to-day business operations.

Example:

- Cash in bank and cash in hand
- Inventory or Stock
- ~~dabet~~ debtors
- Bills receivable
- Short-term Investments.

3. Tangible Assets

Tangible assets are assets that have a physical form and can be seen and touched.

Example:-

- Land
- Buildings
- Machinery
- Furniture
- Vehicles

~~These assets are assets that don't have physical existence but have economic value for the business.~~

These assets are used in productions and business activities.

4. Intangible Assets

Intangible Assets are assets that do not have physical existance but have economic value for the business.

Example :

- Good will
- patents
- copy rights
- Trade mark
- Brand Name.

These assets help the company build reputation and competitive advantage.

5. Fictitious Assets

Fictitious assets are not real assets but Expenses that are shown in the balance sheet temporarily and written off gradually.

Example :

- preliminary Expenses
- discount on issue of Shares
- Advertisement Expenses.

Summary :- Assets play an important role in the financial position of a business. they are classified in to different types such as fixed assets, current assets, tangible assets, intangible assets, and fictitious assets depending on their nature and usage in business operations.

16. ~~Both~~ Both cash book and bank book are important accounting records used to record financial transaction of a business. However, the differ in their purpose and the type of transactions recorded.

Cash Book

A cash Book is a book of original entry used to record all cash transactions of a business. It records both cash receipts and cash payments.

Features of cash Book

1. Record cash transactions only.
2. Maintained by the business organization.
3. Show cash receipts and cash payments

4. Helps to know the cash balance in hand

Example:

payment of wages, ~~cash~~ cash sales, cash purchase of goods.

Bank Book

A bank book is used to record all bank transaction such as deposits and withdrawals from the bank

Features of Bank Book

1. Records Bank transactions only
2. Maintained by The business to record dealings with the bank
3. Show bank deposits and withdrawals
4. Helps to know the bank balance of the business

Example:

cheque payments, money deposited in bank, withdrawal from bank.

Differences between cash Book an Bank Book

Basis	Cash Book	Bank Book
Meaning	Records cash transactions	Records Bank transactions
Transactions	Cash Receipts and payments	Deposits and withdrawals through bank
Balance shown	Cash balalance in hand	Bank balance
Nature	part of accounting records	Record of bank dealings.

Summary: The cash book records cash transactions whereas the bank book records bank transaltions. Both are essential for maintaining accurate financial records and controlling bussiness process.

18. Acconting is the process of recording, classifying, and summarizing financial transaction to provide useful information for decision-making. Two important branches of acconting are financial accounting and Management accounting.

1. <u>Financial Accounting</u>

Financial accounting is concerned with recording business transactions and preparing financial Statements to show the ~~financi~~ financial position of a bussiness.

The main objective of financial accounting is to provide the information to <u>External Users</u> such as investors, creditors, government authorities, and the public.

<u>Feature of financial Accounting</u>

1. Records historical financial transactions.
2. Information is mainly used by External parties.
3. preparation of financial Statements like trading accont, profit and loss accont, and balance sheet.
4. It follows acconting principles and Standards.

Examples: preparation of balance sheet and profit and loss account at the end of the accounting year.

2. Management Accounting

Management Accounting refers to the use of accounting information by ~~mangent~~ Managers for ~~plan~~ planning, controling, and decision-making business.

It helps Management analyze financial data to improve efficiency and profitability.

Features of Mangement Accounting

1. Focuses on future planning and decision-making.
2. Used mainly by internal Mangement.
3. Helps in budgeting, cost control, and performance evaluation.
4. ~~It~~ Information may include financial and non-financial data.

Example: preparation of budgets, cost reports, and performance analysis for management decisions.

Difference between financial Accounting and Management Accounting :-

Basis	Financial Accounting	Management Accounting
Purpose	Shows financial position of business	Helps management in decision making
Users	External users	Internal management
Time focus	past financial transactions	Future planning
Nature	Mandatory and regulated	Flexible and optional.

Summary:-

Financial accounting focuses on preparing financial statements for external users, while management accounting provides useful information to managers for planning, controlling, and decision-making in the organization.

19. ## Types of Leasing

Leasing is a financial arrangement in which the Owner of an asset (lessor) allows ~~another~~ another party (lessee) to use the asset for a specified period in return for periodic payments called lease rent. Leasing helps businesses use assets without purchasing them outright.

1. Finance Lease

A finance Lease is a long-term lease in which most of the risks and ~~rewards~~ rewards of ownership are transferred to the lessee. The lessee ~~[illegible]~~ uses the asset for almost its entire useful life and pay regular lease rentals.

Example: A manufacturing company leasing heavy machines for 6 years.

2. Operating Lease

An operating lease is a short-term lease where the ownership risks remain with the lessor. The lessee uses the asset for a limited period.

The Lessor often provides maintenance and other services.

Example: Leasing office equipment like printers or photocopy machines for a few years.

3. Sale and Leaseback

In this arrangement, the owner of an asset sells it to another party and then leases the same asset back for use.

This helps the business raise funds while still using the asset.

Example: A company sells its building to a leasing company and then leases it back for office use.

4. ~~de~~ Direct Lease

A direct lease occurs when leasing company purchases an asset and leases it directly to the user.

Example:- A leasing company buying trucks and leasing them to a transport company.

5. ~~Hex~~ Leveraged Lease

A Leaveraged lease involves three parties:

The lessor, the lessee, and a lender. The lessor borrows funds from the lender to purchase the asset and leases it to the lessee.

Example: Leasing of Large assets like aircraft or ships.

Summary:-

Leasing is an Important financial tool that allows businesses to use assets without heavy capital Investment. different types of leasing arrangements such as finance lease, operating lease, sale and lease back, direct lease, and leveraged lease help organizations meet their financial and operational needs.

Part-C

21. a) The type of discount discussed is Trade discount.

A Trade discount is given to customers who purchase goods in large quantities or bulk. it is usually not recorded in the books of accounts and is directly deducted from the listed price.

In the passage, the company launched a discount for bulk purchases, and it was not recorded in the books of accounts, which clearly indicates a trade discount.

b)
The asset discussed here is Goodwill.

Goodwill is an intangible asset the represents the reputation, brand value, and customer trust of a business. Because the company's products were of very high quality, it developed a strong reputation in the market, which is considered good will in accounting.

c)
The initial capital invested cosisted of:

- Cash = 10,000/-
- Machinery = 1,00,000/-

Total initial capital = 1,10,000/-

Therefore, the total capital initially invested by Sam and Jay was 1,10,000/-.

PART - A

1. Define Accounting

Accounting is the process of recording, classifying, summarizing, and Interpreting financial transactions of a business to provide useful Information for decision-making

Functions of Accounting

The main functions of accounting are:

1. Recording - Recording all financial transactions in the books of accounts
2. Classifying - Grouping similar transactions in to different accounts
3. Summarizing - preparing financial statements like profit and loss account and balance sheet.
4. interpreting - Analyzing financial Information for decision making.
5. Communicating - providing financial information to management, investors, and other users.

2. A Bank Overdraft is a facility provided by a bank that allows a customer to withdraw more money than the balance available in their bank account. up to a certain approved limit

It is a short-term borrowing facility mainly given to business to meet temporary cash shortages. interest is charged only on the amount overdrawn.

Example: If a person has 5,000/- in the account but withdraws 8,000/- with bank permission, the extra 3,000/- is called a bank overdraft

4 The business Entity concept states that a business and its owner are treated as two seperate entities in accounting. The financial transaltions of the business are recorded seperately from the personal transactions of the owner.

This concepts helps in accurately determining the profit or loss and financial position of the business.

Example:-

~~M~~ If the owner invests 50,000/- in the business, it is recorded as capital of the business, not as a personal transaltion.

7. Depreciation is the gradual decrease in the value of Fixed asset over time due to wear and tear, Usage, or Obsolescence.
It is recorded in Accounting to allocate the cost of the asset over its Usefull life.
Example: Machery or vehicle lose value every year due to continuous use.

9. A Lease is a contract in which the owner of an asset (lessor) gives the right to use the asset to another person (lessee) for a specified period in return for periodic payments called lease rent.

Example: A company leasing machinery or vehicles from another company for business use.

5. A ledger is a book of accounts where all transactions recorded in the Journal are classified and posted into individual accounts.
It contains seperate accounts for assets, liabilities, capital, income and expenses and helps in prepening financial statements
Example: Cash Account, Purchase Account, Sales Account.