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**First Semester MCA Degree Examination, Dec.09/Jan.10**  
**Accounting and Financial Management**

Time: 3 hrs.

Max. Marks:100

**Note: 1. Answer any FIVE full questions.**  
**2. Use of simple calculator is allowed.**

- 1 a. Give the meaning of double entry book keeping. State the rules of debit and credit. (05 Marks)
- b. Prepare Trading and Profit & Loss accounts for the year ending 31-12-2009 and Balance Sheet as on that date, from the below given trial balance and adjustments, in the books of VHEBEE Traders:

S.No.	Name of Accounts	Debit (Rs.)	Credit (Rs.)
1	Drawing and Capital	10000	50000
2	B/R and B/P	5000	6000
3	Purchases and sales	103500	162500
4	Opening stock (1.1.2009)	25000	-
5	Returns	2500	3500
6	Debtors and creditors	16200	12000
7	Salaries	11000	-
8	Wages	9600	-
9	Machinery	30000	-
10	Furniture	5000	-
11	Rent and taxes	3500	-
12	Insurance	1300	-
13	Printing and stationary	1500	-
14	Cash in hand	200	-
15	Cash at Bank	9700	-
	<b>Total</b>	<b>234000</b>	<b>234000</b>

Adjustments:

- Outstanding expenses : Wages Rs. 400, Salaries Rs. 1000, Rent Rs. 500.
- Insurance prepaid Rs. 300.
- Write off Rs. 200 as bad debts and make a provision for doubtful debts at 5% on sundry debtors.
- Depreciate machinery at 5% and furniture at 10%.
- Closing stock on 31-12-2009 was Rs.18,000. (15 Marks)

- 2 a. Explain the terms 'Ratio' and 'Analysis'. Write any four uses and two limitations of Ratio analysis. (10 Marks)

- b. The following information of a company is given:

Current ratio - 2.5 : 1  
 Quick ratio - 1.5 : 1  
 Current liabilities Rs.50,000

Find out : i) Current asset amount ii) Liquid assets amount iii) Inventory amount. (06 Marks)

- c. Remolds Tyre Co. Ltd., has achieved a total turnover of Rs.400000. It has cost of goods sold of Rs.2,80,000. Office expenses Rs.30,000. Marketing expenses Rs.20,000. Interest on borrowed capital is Rs.10,000. The tax rate is 30%. You are required to compute Net Profit Ratio in percentage. (04 Marks)

3 a. Write any two distinctions between Funds Flow statement and Cash Flow statement. (04 Marks)

b. Following are the balance sheets of VInay Co. as on 31-12-2008 and 31-12-2009:

Liabilities	2008	2009	Assets	2008	2009
	Rs.	Rs.		Rs.	Rs.
Share capital	139000	145000	Cash	18000	15600
Share Premium	1000	3000	Debtors	28400	33800
Debentures	24000	12000	Stock	98400	85400
Creditors	20000	23680	Land	40000	60000
Profit & Loss A/c	20800	21120	Goodwill	20000	10000
	204800	204800		204800	204800

Additional information:

i) Dividend paid Rs.7000 ii) Land was purchased for Rs.20000 iii) Amount of goodwill written off was Rs.10000 iv) Debenture loan was repaid for Rs.12000.

Prepare statements showing changes in working capital, adjusted profit & loss account and funds flow statement. (16 Marks)

4 a. What is the concept of cost? How are costs classified on the basis of behaviour? (04 Marks)

b. What is a cost sheet? Name any four items of expenses that are excluded from cost accounts. (04 Marks)

c. Following data are extracted from the books of Vinita Industries for the year 2009:

	Rs.
1 Opening stock of raw materials	50,000
2 Closing stock of raw materials	80,000
3 Purchases of raw materials	1,70,000
4 Carriage forwards	10,000
5 Direct wages	1,50,000
6 Indirect wages	20,000
7 Other direct charges	30,000
8 Rent and rates – Factory	10,000
9 Rent and rates – Office	1,000
10 Indirect materials	1,000
11 Depreciation of plant	3,000
12 Depreciation of office furniture	200
13 Office salaries	5,000
14 Salesmen salary	4,000
15 Other office expenses	1,800
16 Other factory expenses	11,400
17 Managing Director's remuneration	24,000
18 Other selling expenses	2,000
19 Travelling expenses	2,200
20 Carriage outwards	2,000
21 Sales	5,00,000
22 Advance income tax paid	30,000
23 Advertisement	4,000

Managing director's remuneration is to be allocated as Rs.8000 to the factory, Rs. 4000 to the office and Rs. 12,000 to the selling departments. From the above information, prepare a cost sheet showing:

i) Prime cost ii) Works cost iii) Cost of production iv) Cost of sales v) Net profit. (12 Marks)

5 a. Compute P/V ratio from the following :

Total sales	-	Rs. 3,60,000
Selling price p.u.	-	Rs. 100
Variable cost p.u.	-	Rs. 50
Fixed cost	-	Rs. 1,00,000

(04 Marks)

b. What do you mean by a budget? Write any four objectives of budgeting control. (04 Marks)

c. For the production of 10,000 electrical automatic irons the budget expenses are:

	Rs.
Raw materials	120 p.u.
Direct labour	60 p.u.
Variable overheads	50 p.u.
Fixed overheads	30 p.u. (Rs.3,00,000)
Direct expenses	10 p.u.
Selling expenses	30 p.u. (10% fixed)
Administrative expenses	Rs. 1,00,000 (Rigid for all levels)
Distribution expenses	10 p.u. (20% fixed)

Prepare a flexible budget for production of 8000 and 12000 irons.

(12 Marks)

6 a. Give the meaning of working capital. Why is it called circulating capital? (04 Marks)

b. You are given the following estimates. As a financial manager, set up your calculations for the average amount of working capital required for the year after making a provision of 10% for contingencies:

Amount blocked-up for stocks:	Rs.
Finished goods	- 2500
Raw materials	- 4000
Average credit given:	
Inland sales - 6 weeks credit	- 156000
Export sales - 1½ weeks credit	- 39000
Lag in payment of expenses:	
Wages - 1½ weeks	- 130000
Purchases of materials - 1½ months	- 24000
Rent, Royalties - 6 months	- 5000
Clerical staff - ½ month	- 31200
Manager - ½ month	- 2400
Miscellaneous expenses - 1½ months	- 24000
Payment in Advance:	
Sundry expenses paid quarterly in advance-	4000

(16 Marks)

7 a. Write the steps involved in capital budgeting process. (04 Marks)

b. Name any four advantages of pay back period method. (04 Marks)

7 c. The following are the particulars relating to project number - 009:

	Rs.
Cost of the project	- 50,000
Operating savings :	
I – Year	- 5,000
II – Year	- 20,000
III – Year	- 30,000
IV – Year	- 30,000
Raw materials	- 10,000

Calculate discounted pay back period:

- i) Ignoring interest factor
- ii) Taking into interest factor at 10%

Note : Present value of Re.1 at 10% for 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> year is 0.909, 0.826, 0.751 and 0.683 respectively. (12 Marks)

8 Write elaborately on:

a. Subsidiary Books

(10 Marks)

b. Accounting concepts.

(10 Marks)

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