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## First Semester MCA Examination, June/July 08 Accounting and Financial Management

Time: 3 hrs.

Max. Marks:100

**Note : Answer any FIVE full questions.**

- 1 a. What do you mean by Marginal costing? Discuss its usefulness and limitation. (05 Marks)  
 b. Using information given below, prepare income statement under absorption costing and marginal costing for the month of June and July.

i) Data per unit

Selling price	Rs. 50
Material cost	Rs.18
Labour cost	Rs.4
Variable overheads	Rs.3

ii) Monthly cost.

Fixed production cost Rs. 99,000:Fixed administration cost Rs.40, 000; Variable selling cost 10% of sales revenue; Normal production capacity 11,000 units p.m.; sales in units June 10,000 July 12,000.Production in units June – 12000, July – 10,000

(15 Marks)

- 2 a. What is profit volume ratio? How do you improve it? (05 Marks)  
 b. Swathi Ltd., a multiproduct company furnishes you the following data relating to the year 2004.

	1 half of the year	2 half of the year
Total sales	Rs. 4,50,000	5,00,000
Total cost	Rs.4, 00,000	4,30,000

Calculate for the year:

- i) Profit volume ratio, ii) Break even sales  
 iii) Sales required to make a profit of Rs. 1,00,000, iv) Profit when sales are Rs. 7,00,000  
 v) Percentage of margin of safety. (15 Marks)

- 3 a. "Cost Accounting has come to an essential tool of management" comment. (05 Marks)  
 b. From the following particulars prepare cost sheet for the year ended 31-12-01

	Rs.
Stock of finished goods [1-1-01]	6000
Stock of raw materials [1-1-0]	40,000
Work in progress [1-1-01]	15,000
Purchase of raw materials	4,75,000
Carriage Inward	12,500
Factory rent and taxes	7,250
Other production expenses	43,000
Stock of finished goods [31-12-01]	15,000
Wages	1,75,000
Works manager salary	45,000
Power expenses	9,500
Selling expenses	4,250
General expenses	32,500
Sales for the year	8,60,000
Stock of raw materials [31-12-01]	50,000
Work in progress [31-12-01]	10,000

(15 Marks)

- 4 a. Differentiate between funds flow analysis and cash flow analysis. (05 Marks)  
 b. From the following balance sheets of Black and company as on 31/12/04 and 31/12/05 prepare fund flow statement.

Liabilities	2001	2002	Assets	2001	2002
Share capital	1,00,000	1,50,000	Goodwill	15,000	10,000
Reserve fund	10,000	20,000	Building	40,000	35,000
Profit & Loss A/c	15,000	28,000	Machinery	30,000	60,000
Tax Provision	25,000	42,000	Investment	22,000	50,000
Creditors	43,000	27,000	Stock	28,000	55,000
Bills Payable	12,000	13,000	Debtors	45,000	42,000
			Cash	25,000	28,000
	2,05,000	2,80,000		2,05,000	2,80,000

Additional information.

Depreciation on building Rs. 5,000

Depreciation on Machinery Rs. 15,000.

Taxes paid during the year Rs. 20,000.

Interim Dividend paid during the year Rs. 10,000.

(15 Marks)

- 5 a. Briefly explain the factors, which determine working capital needs of a firm. (05 Marks)  
 b. ABC Ltd sells its product on a Gross profit of 20% on sales. The following information are extracted from its annual accounts for the year ended 31-12-05

Sales (3 months Credit)	Rs.	40,00,000
Raw materials	Rs	12,00,000
Wages (1/2 months arrears)	Rs	9,60,000
Manufacturing Expenses (one month arrears)	Rs	12,00,000
Administration expenses (one month arrears)	Rs	4,80,000
Sales promotion expenses (1/2 yearly in advance)	Rs	2,00,000

Company enjoys one-month credit from supplier of raw materials and maintain 2 months stock of raw materials and 1 1/2 month finished goods. Cash balance maintained at Rs. 1,00,000 as precautionary balance.

(15 Marks)

- 6 a. What is capital budgeting? Why is it significant for a firm? (05 Marks)  
 b. A company is considering to purchase two machines with the following details

	Machine 1	Machine 2
Life	3 years	3 years
Capital Cost	Rs. 1,00,000	Rs. 1,00,000

Net earning after-tax

	Rs.	Rs.
1 <sup>st</sup> year	80,000	20,000
2 <sup>nd</sup> year	60,000	70,000
3 <sup>rd</sup> year	40,000	90,000

You are required to suggest which machine should be purchased using payback period. NPV at 10% [PV factors 0.909, 0.826, 0.751] and ARR.

Note: Ignore depreciation.

(15 Marks)



- 7 a. What is GAAP? State the significance of preparing trial balance. (05 Marks)
- b. Following is the trial balance of Mr. Shreyas, a trader. Prepare trading and profit and loss account for the year ended 31-03-05 and prepare balance sheet as on that date. (10 Marks)

Particulars	Debit Rs.	Credit Rs.
Capital A/C		50000
Loan from Karan		20000
Sales		720000
Discount		500
Creditors		20000
Current A/c	1500	
Purchases	699200	
Salaries	4200	
Carriage inward	400	
Carriage outward	500	
Power	300	
Rates and Insurance	400	
Building	27000	
Furniture	6000	
Debtors	8000	
Cash	250	
Bank	1500	
Stock on 1-4-04	61250	
Total	810500	810500

Adjustments:

- i) Closing stock valued at 60850
- ii) Prepaid rate Rs. 125
- iii) Bad debts written off Rs. 500
- iv) Provision for doubtful debt at 5%
- v) Building depreciated by 2%
- vi) Manager is entitled to a commission of 5% of net profit before charging such commission. (15 Marks)

8 Write short notes on any four of the following:

- a. Flexible Budget.
- b. Short-term solvency ratios.
- c. Journal and ledger.
- d. Dupont Analysis
- e. Internal Rate of Return.

(15 Marks)