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First Semester MCA Degree Examination, Dec.08/Jan.09
Accounting and Financial Management

Time: 3 hrs. Max. Marks:100

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

1 a. What do you mean by an account? What are its types? **(05 Marks)**

b. From the following Trial balance prepare Trading, Profit and loss account and Balance sheet as on 31.12.2007.

Name of the accounts	Debit (Rs.)	Credit (Rs.)
Capital	–	45000
Drawings	3000	–
Purchases	26000	–
Purchases returns	–	250
Sales	–	43650
Sales returns	350	–
Wages	500	–
Salaries	5000	–
Insurance paid	800	–
Bad debts	300	–
Rent received	–	6250
Carriage outwards	600	–
Trade expenses	1000	–
Printing and stationary	1200	–
Debtors	20500	–
Creditors	–	10000
Bills receivable	9500	–
Bills payable	–	10500
Opening stock	15000	–
Machinery	20000	–
Furniture	5000	–
Cash in hand	900	–
Cash at bank	6000	–
	115650	115650

Additional Information:

1) Insurance prepaid was Rs.150.
2) Interest on drawings to be provided at 10%.
3) Wages outstanding by Rs.400.
4) Interest on capital to be provided at 10%.
5) Provide depreciation on machinery at 10%.
6) Closing stock valued at Rs.10,000. **(15 Marks)**

2 a. Discuss any five limitations of ratio analysis. **(05 Marks)**

b. From the following final accounts of XYZ Ltd for the year ended 31st March 2007, you are required to calculate the following:

(i) Current ratio. (ii) Acid test ratio (iii) Stock turnover ratio (iv)Operating ratio
(v) Debtors collection period (vi)Net Profit to capital employed ratio

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Balance Sheet as on 31st march, 2007

Liabilities	Rs	Assets	Rs
Share capital (in shares of Rs.10 each)	5,00,000	Land and buildings	5,00,000
		Plant & machinery	2,00,000
General Reserve	4,00,000	Stock	1,50,000
Profit and Loss A/c	1,50,000	S. Debtors	2,50,000
Sundry Creditors	2,00,000	Cash and Bank balance	1,50,000
	12,50,000		12,50,000

Profit and Loss account for the year ended 31.3.07

Particulars	Rs	Particulars	Rs
To Opening stock	2,50,000	By Sales	18,00,000
" Purchases	10,50,000	By Closing stock	1,50,000
" Gross profit c/d	6,50,000		
	19,50,000		19,50,000
To Administration Exp.	2,30,000	By Gross profit b/d	6,50,000
" Selling & distribution Exp.	1,00,000	By Non operating Income:-	50,000
" Expenses of Financing	20,000		
" Net profit	3,50,000		
	7,00,000		7,00,000

(15 Marks)

3 a. Give the managerial uses of funds flow statement (any five). **(05 Marks)**

b. From following Balance sheets of a concern prepare. **(15 Marks)**

(i) Statement showing changes in working capital.

(ii) Statement showing funds from operation and

(iii) Funds flow statement.

Liabilities	2005	2006	Assets	2005	2006
Redeemable Pref. Shares	-	10,000	Fixed Assets	41,000	40,000
Equity shares	40,000	40,000	Less Depreciation	11,000	15,000
General reserve	2,000	2,000		30,000	25,000
Profit and loss A/c	1,000	1,200	S. Debtors	20,000	24,000
Debentures	6,000	7,000	Stock	30,000	35,000
Creditors	12,000	11,000	Prepaid expenses	300	500
Provision for tax	3,000	4,200	Cash	1200	3500
Proposed Dividend	5,000	5,800			
Bank O.D.	12,500	6,800			
	81,500	88,000		81,500	88,000

4 a. Following information was extracted from the costing records of a factory for the year ended 31.12.2007.

Stock on 01.01.2007	Raw materials	Rs.11,000
	Finished goods (800 tons)	Rs. 8,800
	Work in progress	Rs. 2,640
Stock on 31.12.2007	Raw materials	Rs.12,232
	Finished goods(1600 tons)	Rs. ?
	Work in progress	Rs. 15,200

Purchase of raw materials Rs. 66,000

Direct wages Rs. 55,000

Rent rates & insurance & works crested Rs.22,000

Carriage inward Rs. 792

Cost of factory supervision Rs. 4,400

Sales Rs. 1,60,000

Advertising, discount allowed and selling costs amounted to 75 paise per ton sold. 12800 tons of commodity were produced during the year you are required to ascertain (1) Cost of materials consumed (2) Cost of production (3) Cost of sales (4) Profit. **(10 Marks)**

b. Define the term working capital. Discuss the factors determining the working capital. **(10 Marks)**

5 a. Define marginal costing. How does marginal costing differs from total cost? **(05 Marks)**

b. Raj Corporation ltd has prepared the following budget estimates for the year 2005-06.

Units sold	–	15000 units
Fixed expenses	–	Rs. 34,000.
Sales value	–	Rs. 1,50,000.
Variable costs	–	Rs. 6 per unit

You are required to:

(i) Find the P/V ratio. Break –even point and margin of safety.

(ii) Calculate the revised P/V ratio. Break –even point and margin of safety in each of the following cases.

a. Decrease of 10% in selling price.

b. Increase of 10% variable costs.

c. Increase of sales volume by 2000 units.

d. Increase of Rs. 6000 in fixed costs. **(15 Marks)**

6 a. What do you mean by budgetory control? Discuss any three objectives of budgetory control. **(05 Marks)**

b. The following information at 50% capacity is given. Prepare a flexible budget and forecast the profit or loss at 60%, 70% and 90% capacity.

	Expenses at 50% capacity
	Rs.
Fixed Expenses	
Salaries	50,000
Rent Rates	40,000
Depreciation	60,000
Administrative Expenses	70,000
Variable Expenses	
Materials	2,00,000
Labour	2,50,000
Others	40,000
Semi-variable Expenses	
Repairs	1,00,000
Indirect labour	1,50,000
Others	90,000

It is estimated that fixed expenses will remain constant at all capacities. Semi-variable expenses will not change between 45% and 60% capacity, will rise by 10% between 60% and 75% capacity a further increase of 5% when capacity crosses 75%.

Estimate sales values at various levels of capacity are

60 % capacity - Sales Rs. 11,00,000
70 % capacity - Sales Rs. 13,00,000
90 % capacity - Sales Rs. 15,00,000 **(15 Marks)**

7 a. What is capital budgeting? Examine its importance. **(05 Marks)**

b. An enterprise can make either two investments at the beginning of the year 2006. Assuming the rate of return is 10%, evaluate investment proposal under (a) NPV method and (b)Profitability index.

Cost of proposal → Proposal A Rs. 25,000 Proposal B Rs. 30,000
Life → Life of proposal A - 5 years Proposal B - 5 years

Year	Cash flow after depreciation and Tax		NPV @ 10%
	Proposal A	Proposal A	
End of 1 year	Rs. 1000	Rs. 500	0.91
" 2 years	Rs. 2000	Rs. 1000	0.83
" 3 years	Rs. 3500	Rs. 2000	0.75
" 4 years	Rs. 2000	Rs. 2500	0.68
" 5 years	Rs. 1000	Rs. 1800	0.62

Which proposal is preferable? **(15 Marks)**

8 Write short notes on: **(20 Marks)**

a. Accounting concepts.
b. Subsidiary books.
c. Pay back period.
d. Cost classification.

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