

First Semester MCA Degree Examination, Dec. 07 / Jan. 08
Accounting and Financial Management

Time: 3 hrs.

Max. Marks:100

Note : Answer any FIVE full questions.

- 1 a. Briefly explain the accounting concepts. (05 Marks)
 b. From the following trial balance of Mr. Rakesh, prepare a trading and profit and loss account for the year ending 31-12-2006 and a balance sheet as on that date:

Particulars	Debit (Rs.)	Credit (Rs.)
Rakesh Capital	-	24,000
Rakesh Drawings	4,500	
Purchases and Sales	20,000	30,500
Stock (01-01-2006)	8,000	-
Returns inwards	1,500	-
Salary	4,200	-
Wages	1,200	-
Rent	350	-
Bad debts.	400	-
Discounts	700	1,900
Sundry debtors and creditors	14,000	10,000
Cash in hand	6,200	-
Insurance	700	-
Printing	150	-
Furniture	2,000	-
Machinery	5,000	-
Bills payable	-	2,500
Total	68,900	68,900

Adjustment:

- i) Closing stock was valued at Rs.7,000
- ii) Insurance was prepaid to the extent of Rs.60
- iii) Outstanding liabilities were: Salary Rs.200, Wages Rs.200
- iv) Make provision for doubtful debts at 5% on sundry debtors
- v) Calculate interest on capital 5% p.a.
- vi) Depreciate machinery at 5% and furniture at 10%
- vii) Provide for discount on creditors at 1%.

(15 Marks)

- 2 a. Define cost accounting and state its objectives. (05 Marks)
 b. The following figures have been extracted from the cost records of a company for the year 2006:

	Rs.
Direct materials	70,000
Direct wages	60,000
Factory overhead	30,000
Administrative overhead	48,000
Selling overhead	32,000
Distribution overhead	16,000
Profit	64,000

- 2 b. A work order has been executed in 2007 and the following expenses have been incurred. Materials Rs.10,000 and wages Rs.6,000. Assume that the rate of factory overhead has gone up by 20%. The administrative overhead has gone up by 10%. Selling overheads are Rs.3,000 and distribution overheads are Rs.134. Prepare cost sheet and find out, at what price would be the product be sold so as to earn the same rate of net profit on the selling price. (15 Marks)

- 3 a. Explain the limitations of ratio analysis. (05 Marks)

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

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

Find out: i) Current assets ii) Liquid assets iii) Inventory. (05 Marks)

- c. M/s. Rakesh and Co. supplies you the following information for the year ending 31st Dec. 2006: Credit sales Rs.1,50,000; Cash sales Rs.2,50,000; Returns inward Rs.25,000; Opening stock Rs.25,000; Closing stock Rs.35,000. Find out:

i) Inventory turnover when gross profit ratio is 20%

ii) Inventory conversion period. (05 Marks)

- d. Find out: i) Debtors turnover ii) Average collection period from the following information:

Particulars	31 st March 2007 (Rs.)
Annual credit sales	5,00,000
Debtors in the beginning	80,000
Debtors at the end	1,00,000

Days to be taken for the year: 360. (05 Marks)

- 4 a. Distinguish between absorption costing and marginal costing. (05 Marks)

- b. For production of 10,000 articles, the following are budgeted expenses:

	Per unit (Rs.)
Direct materials	60.00
Direct labour	30.00
Variable overheads	20.00
Fixed overheads (Rs.1,60,000)	16.00
Variable expenses (direct)	5.00
Selling expenses (20% fixed)	15.00
Administrative expenses (Rs.50,000 fixed for all levels of production)	5.00
Distribution expenses (20% fixed)	5.00
	156.00

Prepare a flexible budget for production of 6,000; 7,000 and 8,000 units of articles, allowing clearly variable cost, fixed cost and total cost. (15 Marks)

- 5 a. What are the limitations of cash flow statement? (05 Marks)

- b. From the following balance sheets of X Co. Ltd. for the year ending 31st December 2005 and 2006 prepare:

i) A schedule of changes in working capital

ii) Statement of sources and application of funds.

Liabilities	2005 (Rs.)	2006 (Rs.)	Assets	2005 (Rs.)	2006 (Rs.)
Share capital	4,00,000	5,75,000	Plant	75,000	1,00,000
			Stock	1,21,000	1,36,000
Trade creditors	1,06,000	70,000	Debtors	1,81,000	1,70,000
Profit and loss account	14,000	31,000	Cash	1,43,000	2,70,000

(15 Marks)

- 6 a. Explain the importance of CVP analysis. (05 Marks)
 b. From the following particulars find out:
 i) P/V ratio
 ii) Break even point
 iii) Net profit from the sales of Rs.1,30,000 and
 iv) Sales to be effected to earn a net profit of Rs.10,000.
 The position of the company for the year 2006.

Particulars	Amount (Rs.)
Sales	1,20,000
Variable overheads	96,000
Gross profit	24,000
Fixed overheads	16,000
Net profit	8,000

(15 Marks)

- 7 a. State the factors involved in determination of working capital. (05 Marks)
 b. X & Co. is desirous to purchase a business and has consulted you, and one point on which you are asked to advise them is the average amount of working capital which will be required in the first years working. You are given the following estimates and are instructed to add 10 percent to your computed figure to allow for contingencies:

Particulars	Amount for the year Rs.
i) Amount blocked up for works: Stocks of finished product stocks	5,000
Stocks of stores and materials	8,000
ii) Average credit given: Inland sales 6 weeks credit	3,12,000
Export sales 1.5 weeks credit	78,000
iii) Average time lag in payment of wages and other outgoings: Wages 1.5 weeks	2,60,000
Stocks and materials, 1.5 months	48,000
Rent, royalties etc. 6 months	10,000
Clerical staff, 0.5 month	62,400
Manager, 0.5 month	4,800
Miscellaneous expenses, 1.5 months	48,000
iv) Payment in advance: Sundry expenses (paid quarterly in advance)	8,000
v) Undrawn profits on an average throughout the year	11,000

Set up your calculations for the average amount of working capital required. (15 Marks)

- 8 Write short notes on the following:
 a. Capital budgeting process
 b. Methods of costing
 c. Trial balance
 d. Evaluation methods of investment proposals. (20 Marks)