



ENGINEERING & MANAGEMENT EXAMINATIONS, DECEMBER - 2008
FINANCIAL MANAGEMENT & ACCOUNTS
SEMESTER - 7

Time : 3 Hours]

[Full Marks : 70

GROUP - A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following : 10 × 1 = 10

i) Agreement of Trial Balance ensures

- a) the arithmetical accuracy of recording transactions
- b) the arithmetical accuracy of Ledger posting
- c) the arithmetical accuracy of all accounting records
- d) none of these.

ii) Working Capital means

- a) Current Assets (-) Non-current Liabilities
- b) Non-current Assets (-) Current Liabilities
- c) Current Assets (-) Current Liabilities
- d) None of these.

iii) Which of the following is not a Debt Capital ?

- a) Debenture
- b) Loan from a Financial Institution
- c) Preference Share Capital
- d) Long Term Loan.

iv) The Break-even point is a point at which the firm makes

- a) zero profit
- b) super profit
- c) normal profit
- d) none of these.

v) Margin of Safety means

- a) BEP sales (-) Actual sales
- b) Budgeted sales (-) BEP sales
- c) Actual sales (-) BEP sales
- d) None of these.

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GROUP - B

(Short Answer Type Questions)

Answer any *three* of the following.

3 × 5 = 15

- 2. A project requiring an investment of Rs. 10,00,000 yields profit after tax and depreciation as follows :

| Years | Profit after tax and depreciation (Rs.) |
|----------------------------|---|
| 1 | 50,000 |
| 2 | 75,000 |
| 3 | 1,25,000 |
| 4 | 1,30,000 |
| 5 | 80,000 |
| <hr/> Total 4,60,000 <hr/> | |

At the end of 5 years, the plant and machinery of the project can be sold for Rs. 80,000. Calculate the rate of return under Average Rate of Return method (ARR).

5

- 3. What is Pay back period ?

A project costs Rs. 20,00,000 and yields annually a profit of Rs. 3,00,000 after depreciation @ 12.5% (Straight line method) but before tax 50%. Calculate the cash inflow from the project and Pay-back period.

2 + 3

- 4. Journalise the following transactions :

- a) Purchased 15 pcs. Furniture @ Rs. 1,000/- each by cash for the following purposes :

- 10 for reselling
- 3 for office use
- 2 for personal use.

- b) Goods of Rs. 3,000/- were destroyed by fire and an insurance claim of Rs. 2,500/- is realizable against it.

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5. a) A company raises Rs. 1,00,000 by the issue of 1,000, 10% Debentures of Rs. 100 each repayable at par after 10 years. If the rate of Company's tax is 50%, what is the cost of Debt capital to the firm ?
- b) X Ltd. issues 1,000, 10% Preference Shares of Rs. 100 each at Rs. 95 each redeemable at the end of the 10th year from the year of issue. What is the cost of Preference Share capital to the firm ? 2 + 3

GROUP - C

(Long Answer Type Questions)

Answer any three questions.

3 × 15 = 45

6. Write short notes on any three of the following : 3 × 5
- a) Working Capital
 - b) Acid Test ratio
 - c) Journal Proper
 - d) Economic order quantity
 - e) Maximum stock
 - f) Minimum stock
 - g) Golden rules in double entry book keeping.
7. A Company proposing to expand its production can go in either for an automatic machine costing Rs. 2,24,000 with an estimated life of $5\frac{1}{2}$ years or an ordinary machine costing Rs. 60,000 having an estimated life of 8 years.

The annual sales and costs are estimated as follows :

| | Automatic machine | Ordinary machine |
|-------------|-------------------|------------------|
| Sales | Rs. 1,50,000 | Rs. 1,50,000 |
| Material | Rs. 50,000 | Rs. 50,000 |
| Labour | Rs. 12,000 | Rs. 60,000 |
| Variable OH | Rs. 24,000 | Rs. 20,000 |

Compute the comparative profitability of the proposals under the pay back method.

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8. Define the ratio as under and compute them from the following balance of Y Limited as on 31. 03. 2008 :

- a) Current ratio
- b) Debt-Equity ratio
- c) Liquid ratio
- d) Capital Gearing ratio
- e) Debt ratio.

| | Rs. (in lacs) | | Rs. (in lacs) |
|--------------------------|-----------------|---------------------------|-----------------|
| Equity Share Capital | 5.00 | Fixed Assets | 10.00 |
| Preference Share Capital | 2.50 | Stock-in-trade | 1.50 |
| Reserve & Surplus | 2.00 | Book Debt | 3.00 |
| Debenture | 2.00 | Investment (short term) | 2.50 |
| Bank OD | 1.00 | Prepaid Expenses | 0.50 |
| Sundry Creditors | 5.00 | | |
| Outstanding Expenses | 0.50 | Cash | 0.50 |
| | <u>18.00</u> | | <u>18.00</u> |

9. Following information in respect of Product A and Product B of X Co Ltd. is as under :

| | Product A | Product B |
|------------------------------------|------------|-----------|
| Selling Price | Rs. 150.00 | Rs. 65.00 |
| Direct material | Rs. 50.00 | Rs. 50.00 |
| Direct Labour hour (Rs. 0.50/hr) | 20 hrs. | 4 hrs. |

Variable overhead = 100% of Direct wages. Present the above information to show the profitability of the Products during labour shortage.

- 10. a) Define Break-even point and Margin of Safety.
- b) The following data are obtained from the records of a factory :

| | |
|----------------------------|------------|
| Sales 2000 units @ Rs. 100 | |
| Materials consumed | Rs. 50,000 |
| Labour Charges | Rs. 30,000 |
| Variable OH | Rs. 10,000 |
| Fixed Cost | Rs. 55,000 |

Find out the Break-even point and Margin of safety.

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END