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**First Semester MCA Degree Examination, December 2010**  
**Accounting and Financial Management**

Time: 3 hrs.

Max. Marks:100

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

- 1 a. Define financial accounting. State the rules for debit and credit for personal, real and nominal accounts. (05 Marks)
- b. The summarized balance sheets of Ananda Textile Mills Limited are as under, as on 31<sup>st</sup> December:

Liabilities	2008 Rs.	2009 Rs.	Assets	2008 Rs.	2009 Rs.
Share capital	4,00,000	5,00,000	Buildings	4,00,000	5,00,000
General reserve	80,000	1,40,000	Plant	3,50,000	3,00,000
P&L A/c	60,000	75,000	Stock	4,00,000	2,50,000
Long term bank loan	3,00,000	1,00,000	Debtors	50,000	40,000
Trade creditors	3,00,000	1,40,000	Cash at bank	60,000	35,000
Tax reserve	80,000	1,20,000			
Dividend payable	40,000	50,000			
	12,60,000	11,25,000		12,60,000	11,25,000

Additional information for 2009:

- i) The company acquired building worth Rs. 1,00,000/- by issuing equal number of shares of Rs.10/- each to the vendors.
- ii) The company sold plant worth Rs.50,000 for Rs.40,000 and the depreciation on it was Rs.35,000. Loss or profit was adjusted to P&L account.
- iii) The company paid a tax of Rs.60,000 during the year.
- iv) Cash dividend paid during the year was Rs.30,000.

Prepare a funds flow statement and a statement of changes in the working capital. (15 Marks)

- 2 a. Define cost. What are the various types of overheads, appearing in the cost sheet? (05 Marks)
- b. Below given is the information relating to the cost of manufacturing a product called 'B':
- |   |   |
|---|---|
| i) Opening stock of materials – 37,500  | ii) Materials purchased – 1,48,500      |
| iii) Carriage and freight – 1,500   | iv) Closing stock of materials – 52,500 |
| v) Wages paid to labourers<br>(This includes Rs.6000 towards wages paid to indirect labourers) – 1,20,000 |   |
| vi) Chargeable expenses – 52,500  | vii) Rent of factory building – 3,000   |
| viii) Lubricating oil and cotton waste – 4,500  | ix) Depreciation of machinery – 1,500   |
| x) Remuneration paid to supervisors and foreman – 6,000.  |   |
| xi) Audit fees – 750  | xii) Legal fees – 525                   |
| xiii) Office lighting and water – 510   | xiv) Office remuneration – 30,000       |
| xv) Advertisement – 4,500   | xvi) Packaging charges – 11,250         |
| xvii) Remuneration paid to sales manager – 12,000.  |   |
- All figures are in rupees.

Prepare a cost sheet showing the different elements of cost. Charge a profit of 25% on cost.

(15 Marks)

- 3 a. Explain the steps involved in the accounting cycle. (05 Marks)
- b. From the following trial balance of Vishwas and other information given, prepare trading accounts, profit and loss account and balance sheet as on 31.12.2009:

Particulars	Dr Rs.	Cr Rs.
Capital		80,000
Drawings	16,000	
Machinery	40,000	
Buildings	64,000	
Debtors	20,000	
Trade expenses	600	
Opening stock	16,000	
Salary	8,000	
Rent (for 11 months)	4,400	
Bad debts	1,000	
Discount	920	1,120
Returns	1,520	3,200
Sales		1,56,000
Purchases	80,000	
Commission		520
Furniture	4,000	
Reserve for doubtful debts		1,600
Wages	14,000	
Carriage inwards	500	
Bank overdraft		6,000
Carriage outwards	500	
Creditors		20,000
Bills payable		4,000
Cash	1,000	
	2,72,440	2,72,440

**Adjustments:**

- Stock as on 31.12.2009 was Rs.50,000
- Rent is outstanding for one month.
- Salary prepaid Rs.1,000/-
- Depreciate machinery for Rs.2,000/- and furniture @ 10%
- Create reserve for doubtful debts @ 5% and reserve for discount on debtors amounted to Rs.500.
- Allow interest in capital @ 5%. (15 Marks)

- 4 a. What is a cash flow statement? What are the various types of cash flows appearing in it? (05 Marks)
- b. A choice is to be made between two competing proposals which require an equal investment of Rs.50,000/- and are expected to generate net cash flow as under with a cost of capital of 10%.

Year	Project A	Project B	PV factor @ 10%
1	25,000	10,000	0.909
2	15,000	12,000	0.826
3	10,000	18,000	0.751
4	Nil	25,000	0.683
5	12,000	8,000	0.621
6	6,000	4,000	0.564

Which proposal should be chosen based on the NPV method?

(15 Marks)

- 5 a. What is the working capital? What are the components of working capital? Give two examples for each component. (05 Marks)
- b. The following is the balance sheet of Pradeep Ltd.:

Capital and liabilities	Rs.	Assets	Rs.
Share capital	2,00,000	Goodwill	1,20,000
Reserves & surplus	58,000	Plant & Machinery	1,50,000
Debentures	1,00,000	Stock	80,000
Creditors	40,000	Debtors	45,000
Bills payable	20,000	Cash	17,000
Other current liabilities	2,000	Miscellaneous current assets	8,000
	4,20,000		4,20,000

You are required to calculate

- i) Current ratio                      ii) Quick ratio                      iii) Inventory turnover ratio  
iv) Average collection period presuming 364 days in a year  
v) Owned funds to liabilities ratio. (15 Marks)
- 6 a. What is a budgetary control? Mention any three advantages of budgetary control. (05 Marks)
- b. A company had incurred fixed expenses of Rs.2,25,000 with sales of Rs.7,50,000 and earned a profit of Rs.1,50,000 during the first half year. During the second half year, it suffered a loss of Rs.75,000. Calculate i) P-V ratio, BEP and MoS for the first half year. ii) Expected sales volume ratio for second half year assuming that selling price and fixed expenses remained unchanged during the second half year. (15 Marks)
- 7 a. What is a balance sheet? Enlist three main categories of assets and liabilities appearing in a balance sheet. (05 Marks)
- b. The cost sheet of Udaya Manufacturers Ltd., is as under:

<u>Elements of cost</u>	<u>Amount per unit (Rs.)</u>
Raw materials	40
Direct labour	15
Overheads	30
Total cost	85
(+) Profit	15
Selling price	100

Other particulars available are as under:

- Raw material is held in stock for 1 month
- Credit allowed by suppliers for 1 month
- Credit allowed to customers for 2 months
- Lag in payment of wages is 1.5 weeks
- Lag in payment of overheads is 1 month
- Materials are in process for an average of 1 month
- Finished goods are in stock for average of 1 month
- 1/4<sup>th</sup> of output is sold for cash
- Cash in hand and at bank is Rs.35,000.

You are required to prepare a statement showing the requirement of working capital to finance a level of activity of 3,12,000 units of the product. You may assume that production is carried on evenly throughout the year. Wages and overheads accrue similarly and a period of 4 weeks is considered to be equivalent to a month. (15 Marks)

- 8 Write short notes on:
- a. IPR                      b. GAAP                      c. KVP analysis                      d. Contra entry (20 Marks)

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