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First Semester MCA Degree Examination, June/July 2011
Accounting and Financial Management

Time: 3 hrs.

Max. Marks:100

Note: Answer any FIVE full questions.

- 1 Write short notes on :
 - a. Double entry system of book – keeping
 - b. Accounting conventions
 - c. Accounting equations
 - d. Subsidiary books. (20 Marks)
- 2 a. Briefly explain the accounting concepts. (05 Marks)
 b. Following is the trial balance of Mr. Dinesh for the year ended 31 – 3 – 2010.

Name of Accounts	Dr. Rs.	Cr. Rs.	Name of Accounts	Dr. Rs.	Cr. Rs.
Opening stock	50,000	–	Salaries	22,000	–
Bills receivable	10,000	–	Wages	18,000	–
Sales	–	3,25,000	Machinery	61,200	–
Return inwards	5,000	–	Furniture	10,000	–
Purchases	2,07,000	–	Rent and taxes	7,000	–
Return outwards	–	7,000	Insurance	2,600	–
Sundry debtors and creditors	32,400	24,000	Printing and stationery	3,000	–
Capital	–	1,00,000	Cash in hand	1,400	–
Drawings	20,000	–	Cash at bank	18,400	–
Bills payable	–	12,000		4,68,000	4,68,000

Prepare trading and profit and loss account and balance sheet after taking into account the following adjustments : i) Outstanding expenses : Wages Rs. 800, Salaries Rs. 2,000, Rent Rs. 1,000 ii) Insurance prepaid Rs. 600 iii) Write off Rs. 400 for bad debts and make provision for doubtful debts at 5% on sundry debtors vi) Depreciate furniture at 10% v) Closing stock on 31 – 3 – 2010 Rs. 36,000. (15 Marks)

- 3 a. Briefly explain the meaning and significance of financial ratios. (05 Marks)
 b. The balance sheets of Belgaum Ltd. stood as follows :

Liabilities	2008	2009	Assets	2008	2009
Capital	25,000	25,000	Fixed assets	20,000	26,000
Reserves	10,000	11,600	Investments	3,000	4,000
Loans	12,000	10,000	Stock	10,000	12,000
Current Liabilities	2,500	12,600	Debtors	5,000	7,000
			Cash	2,000	2,000
			Other current Assets	2,500	2,200
			Misc. expenditure	7,000	6,000
	49,500	59,200		49,500	59,200

During the year 2009 : Sales Rs. 75,000, PBIT Rs. 15,000, Interest Rs/ 2,400, Provision for Tax Rs. 6,000, Proposed dividend Rs. 5,000. Calculate for the year 2009 :

- i) Current ratio
- ii) Stock turnover ratio
- iii) Return on capital employed
- iv) Return on net worth
- v) Proprietary ratio. (15 Marks)

- 4 a. What is fund flow statement? Name any four sources of funds. (05 Marks)
 b. From the following balance sheets of a concern, prepare a fund flow statement.

Liabilities	2008	2009	Assets	2008	2009
Share Capital	60,000	65,000	Goodwill	30,000	25,000
Profit and loss A/c	34,000	26,000	Plant and machinery	60,000	50,000
Current Liabilities	12,000	3,000	Current Assets	16,000	19,000
	1,06,000	94,000		1,06,000	94,000

Additional information :

- i) Depreciation of Rs. 20,000 on plant and machinery was charged to profit and loss A/c
 ii) Dividend of Rs. 12,000 was paid during the year. (15 Marks)
- 5 a. Briefly explain the importance of budgetary control. (05 Marks)
 b. Explain the characteristics of good budgeting. (05 Marks)
 c. Distinguish between master budget and functional budget. (04 Marks)
 d. Explain the relative merits and demerits of standard costing. (06 Marks)
- 6 a. What are the budget centre and budget key factor? (06 Marks)
 b. Selling price per unit Rs. 50 ; Variable cost per unit Rs. 20 ; Fixed cost Rs. 3,00,000
 Calculate : i) P/v ratio ii) BEP iii) Sales required to earn profit of Rs. 60,000 iv) Profit /loss if the sales are 20,000 units. (14 Marks)
- 7 a. Write a note on classification of costs. (05 Marks)
 b. What is standard costing? What are its uses? (08 Marks)
 c. What is marginal costing? Explain its basic concepts. (07 Marks)
- 8 a. Explain relative merits and demerits of pay back period method for capital budgeting decisions. (06 Marks)
 b. From the following information, calculate NPV of the two machines and suggest which of the two machines should be purchased assuming a discount rate of 10%.

	Machine X	Machine Y
Initial investment	Rs. 22,000	Rs. 30,000
Estimated life	5 years	5 years
Scrap value	Rs. 2,000	Rs. 1,000.

The expected cash flow after tax are as follows :

Years	Machine X cash in flows	Machine Y cash in flows	P. V. at 10%
1	10,000	40,000	0.909
2	20,000	20,000	0.826
3	20,000	10,000	0.751
4	8,000	6,000	0.683
5	6,000	8,000	0.621

(14 Marks)

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