

Reg. No. :

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Z 3505

M.C.A. DEGREE EXAMINATION, MAY/JUNE 2008.

First Semester

MC 1605 — ACCOUNTING AND FINANCIAL MANAGEMENT

(Regulation 2005)

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. Explain the Real rule of double entry book keeping.
2. Pass journal for the following:

Loss on furniture due to damage Rs.50,000 out which an insurance claim is due for Rs.30,000.
3. What are the components of Prime Cost?
4. Write down the marginal cost equation.
5. Define budget.
6. Opening stock of Raw materials = Rs.20,000; Closing stock of Raw materials = Rs.40,000; purchase of Raw materials = Rs.1,00,000; calculate consumption of Raw materials.
7. Expand IRR. How to calculate it?
8. What are the general techniques for incorporating the risk factor in capital budgeting?
9. How Net Operating Income is calculated?
10. Write any two debts which affect the computation of Cost of capital?

PART B — (5 × 16 = 80 marks)

11. (a) From the following statements of X Ltd. For the year ending 31st March, 1998, you are required to rearrange the items for purposes of financial analysis and calculate the following ratios: (i) Current Ratio (ii) Quick Ratio, (iii) Operating Ratio, (iv) stock Turnover Ratio, (v) Fixed Assets Turnover Ratio, (vi) Debtor's Turnover Ratio, (vii) Return on capital Employed.

BALANCE SHEET

As on 31st March, 1997

Liabilities	Rs.	Assets	Rs.
Share Capital: 50,000 equity	5,00,000	Land and Buildings	5,00,000
Shares of Rs.10 each		Plant and Machinery	2,00,000
Equity shares of Rs.10 each	4,00,000	Stock	1,50,000
Profit and Loss Account	1,50,000	Sundry Debtors	2,50,000
Sundry Creditors	2,00,000	Cash and Bank Balance	1,50,000
	<u>12,50,000</u>		<u>12,50,000</u>

PROFIT AND LOSS ACCOUNT

For the year ending 31st March, 1997

Particulars	Rs.	Particulars	Rs.
To Opening stock	2,50,000	By Sales	18,00,000
To Purchases	10,50,000	By closing stock	1,50,000
To Gross Profit b/d	6,50,000		
	<u>19,50,000</u>		<u>19,50,000</u>
To selling and Distribution Expenses	1,00,000	By Gross Profit b/d	6,50,000
To Administration Expenses	2,30,000	By Profit on sale of fixed assets	50,000
To Finance Expenses	20,000		
To Net profit	3,50,000		
	<u>7,00,000</u>		<u>7,00,000</u>

Or

- (b) What is Fund Flow Analysis? Write down the steps in preparation of a Fund Flow statement.

12. (a) Company A and Company B, both under the same management, make and sell the same type of product. Their budgeted Profit and Loss Account for January-June 1986 are as under.

	Company A		Company B	
	Rs.	Rs.	Rs.	Rs.
Sales		3,00,000		3,00,000
Less: Variable				
Cost	2,40,000		2,00,000	
Fixed Cost	30,000	2,70,000	70,000	2,70,000
		<u>30,000</u>		<u>30,000</u>

You are required to

- Calculate the Break-even Point for each company
- Calculate the sales volume at which each of the two companies will profit by Rs.10,000
- Assess how the profitability will change by finding profit volume ratio.

Or

- (b) Explain the Direct Material Cost variances.
13. (a) Prepare a cash budget for the months of May, June, July 1998 on the basis of the following information:

- (i) Income and Expenditure Forecasts :

Months	Credit Sales	Credit Purchases	Wages	Manufacturing Expenses	Office Expenses	Selling Expenses
March	60,000	36,000	9,000	4,000	2,000	4,000
April	62,000	38,000	8,000	3,000	1,500	5,000
May	65,000	33,000	10,000	4,500	2,500	4,500
June	58,000	35,000	8,500	3,500	2,000	3,500
July	56,000	39,000	9,500	4,000	1,000	4,500
August	60,000	34,000	8,000	3,000	1,500	4,500

- Cash balance on 1st May, 1998 Rs.8,000.
- Plant costing Rs. 16,000 is due for delivery in July, payable 10% on delivery and the balance after 3 months
- Advance Tax of Rs. 8,000 each is payable in March and June.
- Period of credit allowed (1) by suppliers-two months, and (2) to customers - one month.
- Lag in payment of manufacturing expenses - $\frac{1}{2}$ month.
- Lag in payment of office and selling expenses - one month

Or

(b) Write about the following :

- (i) Flexible Budget
- (ii) Master Budget
- (iii) Zero Based Budget

14. (a) Explain the relationship between Risk and return.

Or

(b) Consider the following proposed investments with the indicated cash inflows:

Investment	Initial Outlay (Rs. '000)	Year I (Rs.'000)	Year II (Rs.'000)	Year III (Rs.'000)
A	200	200	Nil	Nil
B	200	100	100	100
C	200	20	100	300
D	200	200	20	20
E	200	140	60	100
F	200	160	160	80

Rank the investment deriving the Net Present Value(NPV) using a discount rate of 10 percent, and state your views.

Note : Present value of Re.1:

Due at the end of Year :

	Re.
1	0.909
2	0.826
3	0.751

15. (a) What are the factors determining the capital structure?

Or

(b) How to estimate working-capital requirements?