

**M.C.A. DEGREE EXAMINATIONS: JANUARY 2009**

First Semester

**PO7CA105: ACCOUNTING AND FINANCIAL MANAGEMENT**

**Maximum Marks: 100**

**Time: Three Hours**

**Answer ALL Questions:-**

**PART A (20 X 1 = 20 Marks)**

1. Business Entity concepts are based on
  - A) Business and Business
  - B) Individual and Individual
  - C) Individual and Business
  - D) Individual and Group
2. Balance Sheet indicates
  - A) Trading results
  - B) Results of profit
  - C) Cash in hand
  - D) Assets and Liabilities
3. Standard current ratio is
  - A) 2:1
  - B) 1:1
  - C) 3:1
  - D) 4:1
4. Liquid ratio is also known as
  - A) Quick ratio
  - B) Current ratio
  - C) Operating ratio
  - D) Operating profit ratio
5. The difference between actual cost and standard cost is known as
  - A) Variance
  - B) Profit
  - C) Differential cost
  - D) Multiple cost
6. Standard costing cannot be used
  - A) Where management is inefficient
  - B) Workers are slow
  - C) Where non-standard products are manufactured
  - D) Financial instability
7. The difference between actual sales minus break even sales is called as
  - A) Break even point
  - B) Standard cost
  - C) Marginal cost
  - D) Margin of safety
8. Break Even point is a point
  - A) Where there is profit
  - B) Where there is loss
  - C) Where there is no profit no loss
  - D) Where there is profit and loss
9. Budget is a plan of action expressed in
  - A) Qualitative terms
  - B) Financial terms
  - C) Non-financial terms
  - D) Budgeted terms

10. A Cash budget deals with  
 A) Sales                      B) Cash                      C) Purchase                      D) Asset
11. Master Budget is also called as  
 A) Production budget                      B) Sales budget  
 C) Summary budget                      D) Cash budget
12. Budget period is  
 A) 5 years                      B) 3 years                      C) 1 year                      D) 2 years
13. Capital Budgeting is budgeting for  
 A) Production                      B) Capital projects                      C) Sales                      D) Cash
14. Net Present Value is the difference between  
 A) Cash inflow and Cash outflow                      B) Present value of Cash inflows and Investment  
 C) Investment and Return                      D) Revenues and Expenses
15. The Cost of capital of a firm is the  
 A) Maximum required rate of return                      B) Minimum required rate of return  
 C) Maximum interest rate                      D) Minimum capital investment
16. Cost of debt is the  
 A) Minimum rate of interest                      B) Maximum rate of interest  
 C) Minimum rate of dividend                      D) Maximum rate of dividend
17. Optimal Capital Structure  
 A) Increase the wealth                      B) Decrease the wealth  
 C) Maximises the value of the company                      D) Minimises the value of the company
18. Cash dividend is paid in the form of  
 A) Property                      B) Stock                      C) Investment                      D) Cash
19. Net Working Capital is  
 A) Fixed Assets minus Non-current liabilities  
 B) Current assets minus Current liabilities  
 C) Fixed assets minus Current assets  
 D) Share capital minus Debentures
20. Dividend is paid to  
 A) Shareholders                      B) Debenture holders                      C) Debtors                      D) Creditors

**PART B (5 X 16 =80 Marks)**

21. (a) (i) Briefly explain any four accounting concepts in accounting. (6)

(ii) From the following information, prepare a Balance sheet of a firm: (10)

	Rs.		Rs.
Share Capital	30,000	Book Debts	6,000
Fixed Assets	16,500	Bills Receivable	2,000
Creditors	8,000	Provision for Tax	3,500
Cash	1,000	Stock	17,500
Bills Payable	2,000	Prepaid expenses	500

(OR)

21. (b) Prepare Funds Flow Statement from the following Balance Sheet:

Balance sheet of ABC Ltd

Liabilities	2006	2007	Assets	2006	2007
Share capital	2,00,000	2,30,000	Plant & Machinery	1,90,000	2,10,000
Trade Creditors	80,000	1,00,000	Building	1,05,000	1,37,000
Bank Loan	40,000	25,000	Inventory	20,000	27,000
Mortgage	-	25,000	Trade Debtors	40,000	55,000
Profit & Loss A/c	65,000	83,000	Cash	30,000	34,000
	3,85,000	4,63,000		3,85,000	4,63,000

22. (a) (i) What is Break Even Analysis? What are its merits and demerits? (8)

(ii) From the following particulars calculate: (8)

- Contribution
- P/V ratio
- Break even point in units
- Selling price per unit if the break even point is brought down to 25000

Units.

Fixed expenses Rs.1,50,000

Selling price per unit Rs.15

Variable cost per unit Rs.10

(OR)

22. (b) (i) Define Standard Costing. What are its uses? (8)

(ii) What is a Variance? What are the various types of variances? (8)

23. (a) A company produces and sells three items : A,B and C. The company has divided its market into 2 zones: Zone X and Zone Y. The actual figures for the previous year sales were as under:

	Zone X		Zone Y	
	Units	Unit Price	Units	Unit Price
Product A	4,00,000	12.00	2,50,000	12.00
Product B	2,50,000	15.00	3,50,000	15.00
Product C	3,00,000	16.00	3,00,000	16.00

For the current year, it is estimated that sale of A will go up by 10% in Zone B and of C by 25,000 units in Zone A. The company plans to introduce a publicity film for B in the TV. The budgeted figures for B are to be increased by 20% in both the zones. The prices of A and C are to be maintained but for C, a bonus cut of Re.1 will be announced. You are required to prepare quantitative cum financial budget for sales in the current year.

(OR)

23. (b) Explain the concept of Budgeting and Budgetary control. What are the essentials of an effective budgetary control system?

24. (a) No project is acceptable unless the yield is 10%. Cash inflows of a certain project along with cash outflows are given below:

Years	Outflows Rs.	Inflows Rs.
0	1,50,000	-----
1	30,000	20,000
2		30,000
3		60,000
4		80,000
5		30,000

The salvage value at the end of the 5<sup>th</sup> year is Rs.40,000.

- i) Calculate Net Present Value and
- ii) Profitability Index.

(PV @ 10% - 1<sup>st</sup> year 0.909, 2<sup>nd</sup> year 0.826, 3<sup>rd</sup> year 0.751, 4<sup>th</sup> year 0.683, 5<sup>th</sup> year 0.620 )

(OR)

24. (b) Define the concept of 'Cost of Capital'. State how you would determine the weighted average cost of capital of a firm.

25. (a) What is meant by capital structure? What are the major determinants of capital structure?

(OR)

25. (b) Discuss the significance of working capital management in a business enterprise. What shall be the repercussions if a firm has

- i) shortage of working capital and
- ii) excess working capital.

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