

**G 3505**

M.C.A DEGREE EXAMINATION, MAY/JUNE 2007.

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. Define the "Going Concern Concept" of accounting.
2. What do you mean by funds flow statement?
3. Define marginal cost and marginal costing.
4. What is margin of safety?
5. Define "Budget Centre".
6. Define "Zero-Base Budget".

What do you understand by Capital budgeting?

Define "Cost of Capital".

Define "Working Capital".

What do you mean by Fixed and Fluctuating working capital?

PART B — (5 × 16 = 80 marks)

11. (a) The following are the balances of 'X' Ltd. as on 30th June 2004 :

Debit balances	Rs.	Credit Balances	Rs.
Cash in hand	540	Sales	98,780
Cash at bank	2,630	Return outwards	500
Purchases	40,675	Capital	62,000
Return Inwards	680	Sundry creditors	6,300
Wages	8,480	Rent	9,000
Fuel and Power	4,730		
Carriage on sales	3,200		
Carriage on purchases	2,040		
Stock (1st July 2003)	5,760		
Buildings	32,000		
Freehold Land	10,000		
Machinery	20,000		
Patents	7,500		
Salaries	15,000		
General Expenses	3,000		
Insurance	600		
Drawings	5,245		
Sundry Debtors	14,500		

Taking into account the following adjustments prepare the Trading and Profit and Loss a/c and Balance Sheet as on 30.6.2004.

- (i) Stock on hand on 30th June, 2004 is Rs. 6,800
- (ii) Machinery is to be depreciated at the rate of 10% and patents at the rate of 20%.

- (iii) Salaries for the month of June, 2004 amounting to Rs. 1,500 were unpaid.
- (iv) Insurance includes a premium of Rs. 170 on a policy expiring on 31st Dec. 2004.
- (v) Bad debts are Rs. 725.
- (vi) Rent receivable Rs. 1,000.

Or

(b) From the following information, prepare a Balance Sheet, show the workings.

- (i) Working capital Rs. 75,000
- (ii) Reserves and surplus Rs. 1,00,000
- (iii) Bank overdraft Rs. 60,000
- (iv) Current ratio 1.75
- (v) Liquid ratio 1.15
- (vi) Fixed assets to proprietor's Fund 0.75
- (vii) Long term liabilities NIL.

12. (a) You are given the following information in respect of a company :

- |                    |            |
|--------------------|------------|
| (i) Fixed cost     | Rs. 13,000 |
| (ii) Variable cost | Rs. 15,000 |
| (iii) Total cost   | Rs. 28,000 |
| (iv) Net Profit    | Rs. 2,000  |
| (v) Net Sales      | Rs. 30,000 |

- (1) Find out the break-even point.
- (2) Forecast the profit for sales volume Rs. 50,000
- (3) Estimate the volume of sales turn over to make a net profit of Rs. 10,000.

Or

(b) From the following information compute material variances :

	Standard			Actual		
	Quantity (kilos)	Unit price Rs.	Total Rs.	Quantity (kilos)	Unit price Rs.	Total Rs.
Material A	10	2	20	5	3	15
Material B	20	3	60	10	6	60
Material C	20	6	120	15	5	75
Total	50	4	200	30	5	150

13. (a) The sales Director of a manufacturing co reports that next year he expects to sell 50,000 units of a particular product.

The production manager consults the storekeeper and casts his figures as follows :

Two kinds of rawmaterials *A* and *B*, are required for manufacturing the product. Each unit of the product requires 2 units of *A* and 3 units of *B*. The estimated opening balances at the commencement of the next year are :

Finished product : 10000 units

Raw materials *A* : 12000 units, *B* : 15,000 units

The desirable closing balances at the end of the next year are :

Finished product 14000 units

Raw materials : *A* : 13000 units

*B* : 16000 units.

Prepare production budget and materials purchase budget for the next year.

Or

- (b) The expenses for budgets production of 10,000 units in a factory are furnished below :

<u>Particulars</u>	<u>Per Unit</u>
	Rs.
Material	70.00
Labour	25.00
Variable overheads	20.00

Fixed Overheads (Rs. 1,00,000)	10.00
Variable Expenses (Direct)	05.00
Selling Expenses (10% fixed)	13.00
Distribution Expenses (20% Fixed)	07.00
Administration Expenses (Rs. 50,000)	05.00
Total cost per unit	<u>155.00</u>

Prepare a budget for production of :

- (i) 8,000 units
- (ii) 6,000 units
- (iii) Indicate cost per unit at both the levels.

Assume that administration expenses are fixed for all levels of production.

14. (a) A Ltd., is producing articles mostly on hand labour and is considering to replace it by a new machine. There are two alternative models X and Y of the new machine. Prepare a statement of profitability showing the pay back period from the following information.

	Machines	
	X	Y
Estimated life of machine	4 years	5 years
Cost of machine	Rs. 9,000	Rs. 18,000
Estimated saving in scrap	Rs. 500	Rs. 800
Estimated saving in direct wages	Rs. 6,000	Rs. 8,000
Additional cost of maintenance	Rs. 800	Rs. 1,000
Additional cost of supervision	Rs. 1,200	Rs. 1,800

Ignore Taxation.

Or

- (b) The following is the capital structure of a firm :

Source of finance	Amount Rs.	Proportion (%)
Equity Share Capital	4,50,000	45
Retained earnings (Reserves)	1,50,000	15
Preference Share Capital	1,00,000	10
Debt	3,00,000	30 %
	Rs. 10,00,000	100 %

The firm's expected after-tax component costs of the various sources of finance are as follows :

Source	Cost (%)
Equity Capital	14.0
Retained earnings	14.0
Preference capital	10.0
Debt	4.5

You are required to compute weighted average cost of capital of the firm.

15. (a) Anand wishes to commence a new trading business and gives the following information :
- (i) Total estimated sales p.a. Rs. 6,00,000
  - (ii) His fixed expenses are estimated at Rs. 1,000 p.m. and variable expenses equal to 5% of his turnover.
  - (iii) He expects to fix a sale price for each product which will be 25% in excess of his cost of purchase.
  - (iv) He expects to turnover his stock 4 times in a year.
  - (v) The sales and purchases will be evenly spread throughout the year. All sales will be for cash but he expects one month's credit for purchases.

Calculate : (1) His estimated profit for the year (2) His average working capital requirements.

Or

- (b) Define "Capital Structure". Bring out and explain the various factors affecting the capital structure in detail.