

Reg. No. :

Y 1506

M.C.A. DEGREE EXAMINATION, AUGUST/SEPTEMBER 2008.

First Semester

DMC 1605 — ACCOUNTING AND FINANCIAL MANAGEMENT

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. Explain 'Dual aspect concept'.
2. What is Trial balance?
3. Define cost sheet.
4. What do you understand by standard costing?
5. What is sales budget?
6. What do you understand by the term budget?
7. What is Time value of money?
8. Why capital budgeting is so important to management?
9. State the meaning of working capital.
10. Define optimum capital structure.

11. (a) Define Cash flow statement. How does cash flow statement differ from funds flow statement? What are their uses? Describe its limitation. (2 + 6 + 4 + 4)

Or

- (b) From the following balance sheet of XYZ Ltd as on 30-6-2006 and 30-6-2007, you are required to prepare Funds flow statement.

Liabilities	2006	2007	Assets	2006	2007
S. Capital	1,80,000	2,00,000	Goodwill	24,000	20,000
Reserves	28,000	36,000	Buildings	80,000	72,000
P & L A/c	39,000	24,000	Machinery	74,000	72,000
Creditors	16,000	10,800	Investments	20,000	22,000
Bank overdraft	12,400	2,600	Inventories	60,000	50,800
Provision for tax	32,000	34,000	Debtors	40,000	44,400
Provision for doubtful debts	3,800	4,200	Cash	13,200	30,400
	<u>3,11,200</u>	<u>3,11,600</u>		<u>3,11,200</u>	<u>3,11,600</u>

Additional information :

- (i) Depreciation charged on machinery was Rs. 8,000, and on building Rs. 8,000.
- (ii) Interim dividend paid on January 2007 was Rs. 15,000.
- (iii) Provision of Rs. 10,000 was made for taxation during the year ending 30-6-2007.

12. (a) What is Break even analysis? For what purpose this analysis can be used? Describe its importance. (3 + 7 + 6)

Or

- (b) The P/V ratio of a firm dealing in electronic instruments is 50% and the margin of safety is 40%. You are required to work out the break even point and the net profit if the sale volume is Rs. 50,00,000.

13. (a) What are the essentials for effective budgeting? What are the requisites for the operation of a budgetary system? (8 + 8)

Or

- (b) Following are the income and expenditure forecasts for the months of March to August 2006.

Month	Sales (all credit)	Purchases (all credit)	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	64,000	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

You are given the following further information :

- (i) Plant costing Rs. 16,000 is due for delivery in July payable 10% on delivery and the balance after three months.
- (ii) Advance tax of Rs. 8,000 is payable in March and June each.
- (iii) Period of credit allowed
 - (1) by suppliers two months, and
 - (2) by customers one month.
- (iv) Lag in payment of manufacturing expenses half month.
- (v) Lag in payment of all other expenses one month.

You are required to prepare a cash budget for three months starting on 1st May 2006 when there was a cash balance for Rs. 8,000.

14. (a) Give a comparative description of various methods of ranking investment proposals.

Or

- (b) A company has the following capital structure. You are required to find out the weighted average cost of capital of a company.

	Book value Rs.	After tax cost (in %)
Equity capital	8,50,000	15
Retained earnings	2,25,000	10
Preferred capital	1,50,000	18
Debentures	10,00,000	6
	<u>22,25,000</u>	

15. (a) Describe the need and determinants of working capital in a business.

Or

(b) ABC Ltd. wants an estimate of the working capital. Prepare the estimate from the following information.

Budgeted sales Rs. 10 per unit Rs. 2,60,000

Selling price per unit : Raw materials Rs. 3, Labour Rs. 4, Overheads Rs. 2

You are informed that

- (i) Raw materials will remain in go down before issue for three weeks and finished goods for two weeks
- (ii) Processing in the factory will take three weeks
- (iii) Suppliers will give 5 weeks credit and customers will require 8 weeks credit
- (iv) Labour and overheads will accrue evenly throughout the year
- (v) Provision for contingencies 10%.