

**Z 3505**

M.C.A. DEGREE EXAMINATION, JANUARY 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 Accounting.
2. What is funds flow statement?
3. What are the elements of cost?
4. What is breakeven point?
5. Define zero base budgeting.
6. What is master budget?
7. What are the goals of financial management?
8. What is weighted average cost of capital.
9. What is optimum capital structure?
10. What are the two concepts of working capital?

PART B — (5 × 16 = 80 marks)

11. (a) What are accounting ratios? Explain its uses and limitations.

Or

- (b) The following is the Trial Balance of Shree Ganesh on 30th June 2006.

Name of Account	Debit (Rs.)	Credit (Rs.)
Capital		1,86,000
Drawings	15,735	
Stock (1.7.2005)	17,280	
Sundry creditors		18,900

Name of Account	Debit (Rs.)	Credit (Rs.)
Sundry debtors	43,500	
Machinery	60,000	
Patents	22,500	
Freehold Land	30,000	
Buildings	96,000	
Sales		2,96,340
Purchases	1,22,025	
Sales returns	2,040	
Purchases returns		1,500
Cash at bank	7,890	
Cash in hand	1,620	
Insurance	1,800	
General expenses	9,000	
Salaries	45,000	
Wages	25,440	
Factory fuel and Power	14,190	
Carriage on purchases	6,120	
Carriage on sales	9,600	
Rent		27,000
	<u>5,29,740</u>	<u>5,29,740</u>

The following adjustments are to be effected :

- (i) Stock on 30th June 2006 Rs. 20,400
- (ii) 5% on Sundry Debtors is to be written off as bad
- (iii) Salaries for the month of June 2006 amounting to Rs. 4,500 were unpaid
- (iv) Insurance include a premium of Rs. 510 on a policy expiring on December 31st 2006
- (v) Rent Rs. 3,000 is accrued but not received
- (vi) Depreciate Machinery @ 10% and Patents @ 20%.

You are required to prepare Trading and Profit and Loss Account and the Balance Sheet as on 30th June 2006.

12. (a) "A firm can avoid standard costing but, of course, at its own peril". Elucidate it and explain the advantages and limitations of standard costing.

Or

(b) The sales turnover and profit during two periods were as follows :

Period 1 Sales Rs. 20 lakhs Profit Rs. 2 lakhs

Period 2 Sales Rs. 30 lakhs Profit Rs. 4 lakhs

Calculate :

(i) P/V Ratio

(ii) Sales required to earn a profit of Rs. 5 lakhs ; and

(iii) Profit when sales are Rs. 10 lakhs. Also show the verification for your answer.

13. (a) Define Budgetary Control. Explain its uses and limitations.

Or

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

	Per Unit (Rs.)
Materials	70
Labour	25
Variable overhead	20
Fixed overhead (Rs. 1,00,000)	10
Variable expenses (Direct)	5
Selling expenses (10% Fixed)	13
Distribution expenses (20% Fixed)	7
Administration expenses (Rs. 50,000)	5
Total cost per unit (to make and sell)	<u>155</u>

Prepare a budget for production of

(i) 8,000 units

(ii) 6,000 units and

(iii) Indicate cost per unit at both the levels.

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

14. (a) What are the basic financial decisions? How do they involve risk-return trade off?

Or

- (b) A limited company is considering investing in a project requiring a capital outlay of Rs. 2,00,000. Forecast for annual income after depreciation but before tax is as follows :

Year	Rs.
1	1,00,000
2	1,00,000
3	80,000
4	80,000
5	40,000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income.

You are required to evaluate the project according to each of the following methods :

- (i) Payback method
- (ii) Rate of return on original investment method
- (iii) NPV method taking cost of capital as 10%
- (iv) NPV index method.

Year :	1	2	3	4	5
PV factor @ 10%	.909	.826	.751	.683	.621

15. (a) Explain the various factors which affect the capital structure of a firm.

Or

- (b) Explain the various factors influencing the working capital requirements of a firm.