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K 3505

M.C.A. DEGREE EXAMINATION, JANUARY 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. Define "Going concern convention" in accounting.
2. Define the term "funds".
3. What is meant by "margin of safety"?
4. Calculate Break-even point from the following particulars :
Fixed expenses Rs. 1,50,000
Variable cost per unit Rs. 10
Selling price per unit Rs. 15
5. What is a budget manual?
6. Define "Zero Base Budget".
7. What is meant by "Risk"?
8. What do you mean by Financial Leverage?
9. How net working capital is different from working capital?
10. What is the need for a dividend?

PART B — (5 × 16 = 80 marks)

11. (a) 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 proprietors' fund	0.75
(vii) Long-term liabilities	Nil

Or

(b) What is Ratio analysis? List the major categories of ratio analysis and discuss any four ratios with an illustration. (2 + 4 + 10)

12. (a) "Marginal costing is a valuable aid for managerial decisions" - Discuss.

Or

(b)

Material	Standard			Actual		
	Qty kg	Price Rs.	Total Rs.	Qty kg.	Price Rs.	Total Rs.
A	500	6.00	3,000	400	6.00	2,400
B	400	3.75	1,500	500	3.60	1,800
C	300	3.00	900	400	2.80	1,120
	1,200			1,300		
Less 10% Normal loss	120			220		
	1,080		5,400	1,080		5,320

Calculate material variances.

13. (a) Briefly discuss the steps in the installation of a system of budgetary control and explain the main functions of a budget controller?

Or

- (b) Draw out cash budget for Jan. to Mar. from the following information :

(i) Cash and Bank balances on 1.1.1997 Rs. 2,00,000

(ii) Actual and budgeted sales

Months	Rs.	
Sep.	6,00,000	(Actual)
Oct	6,50,000	"
Nov.	7,00,000	"
Dec.	7,50,000	"
Jan.	8,00,000	(Budgeted)
Feb.	8,20,000	"
Mar.	8,90,000	"

(iii) Purchases-Actual and budgeted figures are :

Months	Rs.	
Sep.	3,60,000	(Actual)
Oct.	4,00,000	"
Nov.	4,80,000	"
Dec.	4,50,000	"
Jan.	4,80,000	(Budgeted)
Feb.	4,00,000	"
Mar	5,00,000	"

(iv) Wages and expenses - Actual and budgeted

Months	Wages	Expenses
	Rs.	Rs.
Nov (Actual)	1,50,000	50,000
Dec (Actual)	1,50,000	60,000
Jan (Budgeted)	1,80,000	60,000
Feb (Budgeted)	1,80,000	80,000
Mar (Budgeted)	2,00,000	80,000

(v) Special items
(1) Advance payment of income-tax in March 1997 Rs. 50,000

(2) Plant acquired and price paid in Jan. 1997 Rs. 1,00,000

(vi) 10% purchases and sales are on cash basis

(vii) Time

Credit sales 2 months

Credit purchase 1 month

Wages $\frac{1}{2}$ month

Expenses $\frac{1}{4}$ month

14. (a) Explain the various techniques that are adopted to infuse the element of risk in capital budgeting.

Or

(b) M/S XYZ Ltd., decided to install a machine with a life of 5 years and no salvage value. The capital outlay of the firm was expected to be Rs. 3,10,500. Earnings before depreciation but after tax were expected to be :

1st Year Rs. 70,000, 2nd year Rs. 1,00,000

3rd year Rs. 1,30,000 4th year Rs. 90,000 and

5th year Rs. 60,000.

You are required to work out Internal rate of return of the project (IRR).

15. (a) Discuss the importance (advantages) of working capital for a manufacturing concern.

Or

(b) Draw out and explain the various criterias for determining "pattern of capital structure" and also explain the factors influencing the pattern of capital structure.