

**G 8355**

M.C.A. DEGREE EXAMINATION, JANUARY 2006.

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. Explain accounting cycle.
2. Give any four managerial applications of accounting information.
3. Explain profit/volume ratio.
4. Calculate Break even point in sales value-output = 3000 units: Selling price per unit = Rs.30: Variable cost per unit = Rs.20: Total fixed cost = Rs.20,000.
5. Explain cost-volume-profit analysis.
6. Explain zero base budget.
7. Define a cost centre.
8. What are the aims of finance function?
9. What are the steps involved in calculating a firm's WACC?
10. Give various sources of short term working capital.

PART B — (5 × 16 = 80 marks)

11. From the following Trial Balance of ABC co., prepare Trading, Profit and Loss account and Balance Sheet as on 31-12-1995.

	Rs.	Rs.
Cash in hand	2,400	
Purchases	2,40,000	
Stock as on 1-1-95	70,000	
Debtors	1,00,000	
Plant and Machinery	1,20,000	
Furniture	30,000	
Bills receivable	40,000	
Rent and taxes	20,000	
Wages	32,000	
Salaries	37,600	
Capital		2,00,000
Bills payable		44,000
Creditors		48,000
Sales		4,00,000
	6,92,000	6,92,000

Adjustments:

- (i) Closing inventory as on 31-12-1995 Rs.50,000
  - (ii) Outstanding wages Rs.5,000
  - (iii) Goods withdrawn for personal use Rs.2,000
  - (iv) Depreciation on plant and machinery @ 10% and on furniture @ 5%.
12. (a) Explain the application of marginal cost analysis for managerial decision making in depth.
- Or
- (b) Explain the various bases of apportioning factory overheads.
13. (a) What is budgetary control? State the objectives of budgetary control. What are the main steps in budgetary control? How do you classify budgets?

Or

- (b) From the following information at 50% capacity, prepare a flexible budget and forecast the profit or loss at 60%, 70% and 90% capacity.

Expenses at	
50% capacity	
Rs.	
Fixed expenses :	
Salaries	50,000
Rent and taxes	40,000
Depreciation	60,000
Administrative expenses	70,000
Variable expenses :	
Material	2,00,000
Labour	2,50,000
Others	40,000
Semi-variable :	
Repairs	1,00,000
Indirect labour	1,50,000
Other	90,000

It is estimated that fixed expenses will remain constant at all capacities. Semi-variable expenses will not change between 45% and 60% capacity, will rise by 10% between 60% and 75% capacity; a further increase of 5% when capacity crosses 75%.

Estimated sales at various levels of capacity are:

CAPACITY	SALES (Rs.)
60%	11,00,000
70%	13,00,000
90%	15,00,000

14. (a) Compare the advantages and limitations of various investment analysis techniques with a simple example for each. Also give the decision criteria for each method.

Or

(b) Using the information given below, compute NPV

Initial outlay Rs. 80,000

Estimated life 5 yrs.

Years	Profit after tax Rs.
1	6,000
2	14,000
3	24,000
4	16,000
5	NIL

Depreciation has been calculated under straight line method. The cost of capital may be taken at 20% pa and the present value of one rupee at 20% pa rate is as under.

Years:	1	2	3	4	5
PV factor:	.83	.69	.58	.48	.40

15. (a) What do you mean by capital structure? What factors determine the capital structure?

Or

(b) What is dividend? Discuss in detail the factors that affect dividend policy of a firm.