

FACULTY OF INFORMATICS

M.C.A. I Year II Semester Examination, December 2010

(Old)

ACCOUNTING AND FINANCIAL MANAGEMENT

Time : 3 Hours]

[Max. Marks : 80

*Answer one question from each unit.**All questions carry equal marks.*

Unit I

1. What is an Accounting Cycle? Give the coverage of Accounting Cycle. 16

Or

2. From the following Trial Balance, prepare Profit and Loss A/c for the year ending 31 March, 2008 and Balance Sheet as on that date.

Particulars	Debit Rs.	Credit Rs.
Capital	—	42,000
Bills Payable	—	12,000
Sundry Creditors	—	6,400
Provision for bad debts	—	1,500
Gross Profit	—	10,000
Sundry Debtors	16,000	—
Bills receivables	4,800	—
Furniture	3,000	—
Machinery	20,000	—
Salaries	4,000	—
Electricity	1,200	—
Rent	2,000	—
Advertisement expenses	1,600	—
Closing Stock	3,000	—
Investment @ 12% interest	12,000	—
Bank	4,300	—
Total	<u>71,900</u>	<u>71,900</u>

[P.T.O.]

Additional information :

- (a) Rent prepaid is Rs. 200 (b) Depreciation on machinery at 10%, and furniture at 20% p.a. (c) Salaries outstanding Rs. 1000 (d) Interest on investments is accrued (e) Maintain provision for bad debts at 5% on debtors.

Unit II

- 3 Explain the limitations of financial statements? 16

Or

4. From the following particulars, prepare the Balance Sheet of a Company as on 31st March, 2008.

Working Capital	Rs. 75,000
Reserves and Surplus	Rs. 1,00,000
Bank Overdraft	60,000
Current Ratio	1.75:1
Liquid Ratio	1.15:1
Fixed assets to Proprietors Funds Ratio	0.75

Unit III

5. What is Working Capital? Explain the factors determining working capital. 16

Or

6. From the following Balance Sheet of XYZ Limited as on 31 March, 2007 and 2008, you are required to prepare funds flow statement.

<i>Liabilities</i>	2007	2008	<i>Assets</i>	2007	2008
	Rs.	Rs.		Rs.	Rs.
Creditors	40,000	44,000	Cash	10,000	7,000
Loan from Mr. X	25,000	—	Debtors	30,000	50,000
Loan from Bank	40,000	50,000	Stock	35,000	25,000
Share capital	1,25,000	1,53,000	Machinery	80,000	55,000
			Land	40,000	50,000
			Buildings	35,000	60,000
Total	2,30,000	2,47,000		2,30,000	2,47,000

Additional information :

During the year, a machine costing Rs. 10,000 (accumulated depreciation being Rs. 3,000) was sold for Rs. 5,000. The Provision for depreciation against machinery as on 1.4.2007 was Rs. 25,000 and on 31.3.2008 was Rs. 40,000. Net profit for the year 2008 amounted to Rs. 45,000.

Unit IV

VASAVI LIBRARY

7. What is cost of capital? Explain the components of cost of capital.

16

Or

8. A choice is to be made between two competing projects which require an equal investment of Rs. 50,000 and are expected to generate net cash flows as under:

<i>End of the year</i>	<i>Project A</i>	<i>Project B</i>
	<i>Rs.</i>	<i>Rs.</i>
1	25,000	10,000
2	15,000	12,000
3	10,000	18,000
4	nil	25,000
5	12,000	8,000
6	6,000	4,000

The cost of capital of the company is 10%, using NPV method, recommend which proposal is to be preferred.

Unit V

9. What is Budget? Discuss its utility and limitations.

16

Or

10. The following particulars are relating to a company :

<i>Years</i>	<i>Sales</i>	<i>Profit</i>
	<i>Rs.</i>	<i>Rs.</i>
2007	80,000	20,000
2008	1,20,000	30,000

From the above data, calculate :

- (a) P/V Ratio (b) Fixed Costs (c) Break-Even-Point (d) Required sales at a Profit of Rs. 50,000 and (e) Profit if sales are Rs. 1,80,000.