LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

MCA DEGREE EXAMINATION

THIRD SEMESTER – NOVEMBER 2007

CO 3901 - ACCOUNTING AND FINANCIAL MANAGEMENT

AU25

Date : 06/11/2007 Dept. No. Max. : 100 Marks

Time : 9:00 - 12:00

SECTION: A

ANSWER ALL QUESTIONS: **10 x 2 = 20**

1) What are the functions of Financial Accounting?

2) State the “Rules for Debit and Credit with examples.

3) What are the advantages of maintaining subsidiary books?

4) Pass adjusting entries to the followings:
   a. Prepaid Expenses
   b. Depreciation

5) From the following compute the value of fixed assets and gross profit: SalesRs.10, 00,000; Gross Profit ratio – 25%; Fixed Assets turnover (on cost of sales) 5 times.

6) Find out cash from operation from the following data:

Net profit for the year 2005	Rs.25000
Prepaid expenses 1.1.2005	2000
Prepaid expenses 31.12.2005	1000
Depreciation for the year 2005	1000
Outstanding salary 31.12.2005	500

7) Indicate whether the following statements are True or False.
   a. All assets must be depreciated at the end of the year.
   b. Interest paid on borrowings is a capital expenditure.
   c. Narration is not necessary for entries that occur frequently
   d. Carriage inward is an expense and carriage outward is an income.

8) The following information relating to a company is given to you.
   Sales Rs.800000; Fixed Cost Rs.360000; Variable Cost Rs.500000
   Ascertain how much value of sales must be increased for the company to achieve breakeven.

9) Write short note on: Zero Base Budgeting.

10) A project cost Rs.10, 00,000 and yields annually a profit of Rs.1, 60,000 after depreciation at 20% p.a but before tax 50%. Calculate payback period.

[PTO]

SECTION – B

ANSWER ANY FIVE ONLY. **5 x 8 = 40**

11) Briefly explain the accounting concepts and conventions.

12) Explain different types of budgets.

13) In what respect is the objective of wealth maximization superior to the profit maximization objective?

14) Journalize the following transactions:

2005, August	1	Vickram starts business with cash Rs.5, 00,000
	2	Goods purchased on credit from Prasana Rs. 4,50,000
	4	Goods purchased for cash from Ravi KumarRs.3, 60, 000
	7	Machinery purchased from L&T Company Ltd. Rs.2,00,000
	9	Salaries paid to staff Rs.10, 000
	10	Sold goods for cash Rs.3, 80, 000
	14	Sold goods to Latha Rs.5, 50, 000
	15	Rent paid to landlord Rs.50, 000
	16	Withdrawn for personal purpose Rs.60,000
	18	Received cheque from Latha Rs.5,49,250 as final settlement

15) Prepare the three-column cashbook from the following:

			Rs.
2005 March	1	Cash in hand	2, 00, 000
		Cash at Bank	80, 000
	4	Cash sales deposited in bank	50, 000
	6	Purchased goods for cash	5, 000
	8	Sold good to Raman on credit	10, 000
	10	Received cheque from Mohan	18, 000
	11	Mohan’s cheque sent to bank for collection	
	12	Paid to Laxman by cheque	10, 000
	14	Cash received from Ravi	15, 950
		Discount allowed	50
	16	Withdrew cash from bank for office use	5, 000
	18	Purchased goods by cheque	8,500
	20	Rent paid	3, 000
	25	Paid insurance by cheque	6, 000
	30	Paid into bank	50, 000
	30	Mohan’s cheque dishonored.	

16) Draw up a flexible budget for production at 75% and 100 % capacity on the basis of the following data for 50% activity.

	Per unit (RS)
Material	100
Labour	50
Variable Expenses (direct)	10
Administration expenses (50% fixed)	40,000
Selling Expenses (60% fixed)	50,000
Present production (50% capacity)	10,000 units.

17) From the following Balance Sheet of A Ltd., Prepare a cash flow statement as per AS3

Balance Sheets

Liabilities	**2004**	**2005**	**Assets**	**2004**	**2005**
	Rs.	Rs		Rs.	Rs.
Share Capital	70,000	75,000	Buildings	50,000	66,000
P&L A/C	2,00,000	2,50,000	Stock	80,000	90,000
Creditors	10,000	13,000	Debtors	1,20,000	1,35,000
			Cash	30,000	47,000
	2,80,000	3,38,000		2,80,000	3,38,000

During the year ended 31st December 2000: Dividend Paid Rs.23, 000 and Depreciation written off on building Rs.15, 000.

18) A) Initial investment Rs.60, 000; Life of the asset 4 years.

Estimated net annual cash flows:

YEAR	1	2	3	4
Cash inflows	Rs.15, 000	Rs.20, 000	Rs.30, 000	Rs.20, 000

Calculate Internal rate of return by trial and error method. (4 Marks)

Year	1	2	3	4
P/V at 14%	.877	.769	.674	.592
P/V at 15%	.869	.756	.657	.571

B) Discuss the merits of IRR methods in capital budgeting decisions. (4 Marks)

SECTION – C

ANSWER ANY TWO ONLY. **2 x 20 = 40**

19) Prepare Balance Sheet with as many details as possible from the following Information:

Gross Profit Ratio 20%
Debtors Turnover 6 times
Fixed assets to net worth 0.80
Reserves to Capital 0.50
Current Ratio 2.50
Liquid Ratio 1.50
Networking Capital Rs.3, 00,000
Stock turnover ratio 6 times.

20) The management of B Company Ltd, are considering the sales budget for the next Budget period. You are required to present to the management a statement showing The marginal cost of each product, and 2) To recommend which of the following sales mixes should be adopted:

A) 1800 units of X B) 1,200 units of Y
C) 1200 units of X and 400 units of Y C) 900 units of X and 600 units of Y

The chief accountant has ascertained the following information:

	Product X	Product Y
Direct Material (RS)	10	12.50
Selling price (RS)	30	50
Direct labour at 25 paise per hour	20 hours	30 hours

Variable overheads: 100 % of labor Fixed overheads: Rs.10, 000.

21) From the following data, prepare a Trading and profit and loss a/c and a balance sheet as on 31.3.2005

Particulars	Rs.	Particulars	Rs.
Drawings	10,000	Capital	30,000
Purchases	30,000	Purchase returns	1,000
Sales Returns	5,000	Sales	60,000
Carriage in	2,000	Wages Outstanding	2,000
Carriage out	3,000	Rent Received	5,000
Depreciation on plant	4,000	Reserve for doubtful debts	1,000
Plant	20,000	Interest received	6,000
Salaries & Wages	3,000	Sundry creditors	6,000
Bad Debts	4,000	Loans (interest @ 10%)	38,000
Premises	25,000		
Interest on loan	3,000		
Stock 1.4.05	25,000		
Sundry debtors	15,000		
	1,49,000		1,49,000

Adjustments :
1. stock on 31.3.05 was Rs.40,000
2. Provide for bad debts @ 10%
3. Depreciate building at the rate of 15%
4. Rent outstanding Rs.1, 000
5. Provide interest on drawings @ 10% and on Capital 10%

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