



**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**

**M.C.A. DEGREE EXAMINATION – COMPUTER APPLICATION**

THIRD SEMESTER – NOVEMBER 2011

**CO 3901 - ACCOUNTING AND FINANCIAL MANAGEMENT**

Date : 12-11-2011  
Time : 9:00 - 12:00

Dept. No.

Max. : 100 Marks

**SECTION –A**

**ANSWER ALL THE QUESTIONS**

**(10 X 2 =20)**

1. Define financial management
2. What is capital expenditure?
3. State the rules for journalising
4. Who are the parties interested in accounting information?
5. What are the financing activities that come under cash flow statement?
6. A project which requires an initial investment of Rs.100,000 is expected to produce an annual cash flow of Rs.40,000 a year. Find out the pay back period.
7. A company has issued 1000 shares of Rs.10 each. Net profit before tax Rs.2,50,000; Income tax 40%, Preference dividend payable Rs.40,000. Find out EPS.
8. The estimated sale of a product is Rs.3000 units, the stock in the beginning and at the end of the year are 350 units and 750 units respectively. How many units the company should produce?
9. Four-times stock turn over implies -----days inventory holding period.
10. When sales is Rs.5,00,000 ; P/V ratio 40% and Profit Rs.90,000 , How much is the fixed cost?

**SECTION – B**

**ANSWER ANY FIVE QUESTIONS**

**(5\*8=40)**

11. Explain the fundamental concepts in double entry system of book keeping.
12. What is ratio analysis? Explain the advantages and limitations of ratio analysis
13. What is capital budgeting? Describe the salient features of capital budgeting
14. From the following particulars you are required to prepare a three column cash book

1<sup>st</sup> January 2011 Cash Rs.30,000 and bank balance Rs. 10,000 (Dr)

3<sup>rd</sup> Deposit into bank Rs.5000

4<sup>th</sup> Purchase of goods from Mathew Bros. Rs.50,000 on account

6<sup>th</sup> Received cash from Jayam Bros. Rs.25,000

9<sup>th</sup> Withdrew from bank for personal use of proprietor Rs.1,200

- 12<sup>th</sup> Issued a cheque to Mathew Bros. Rs.49,000 in full settlement  
 15<sup>th</sup> Expenses paid by cheque Rs.3000  
 20<sup>th</sup> Cash sales Rs.2000 and cash purchases Rs.4,600

15. The expenses for budgeted production of 1000 units in a factory are furnished below:

|                                | Rs.         |
|--------------------------------|-------------|
| Material                       | 70 Per Unit |
| Labour                         | 25 Per Unit |
| Variable overheads             | 20 Per Unit |
| Fixed overheads (Rs.1, 00,000) | 10 Per Unit |

Prepare a flexible budget for a production level of 1500 units.

16. The balance sheet of Ahock Ltd. is as follows

| Liabilities                  | Rs.       | Assets              | Rs.       |
|------------------------------|-----------|---------------------|-----------|
| Equity capital:              |           |                     |           |
| 40,000 shares of Rs.100 each | 40,00,000 | Land and building   | 30,00,000 |
| Reserves                     | 18,00,000 | Plant and machinery | 16,00,000 |
| Creditors                    | 26,00,000 | Stock               | 29,60,000 |
| Profit and Loss account      | 6,00,000  | Debtors             | 14,20,000 |
| 6% debentures                | 6,00,000  | Cash at bank        | 6,20,000  |
|                              | 96,00,000 |                     | 96,00,000 |

You are required to ascertain (a) Current ratio (b) Liquid ratio (c) Debt equity ratio (d) Fixed assets ratio

17. The Alpha Co.Ltd., is considering the purchase of a new machine. Two alternative machines (A and B) have been suggested, each having an initial cost of Rs. 4,00,000. Earnings after taxation are expected to be as follows :

| Year | Cash inflows     |                  |
|------|------------------|------------------|
|      | Machine A<br>Rs. | Machine B<br>Rs. |
| 1.   | 80,000           | 1,20,000         |
| 2.   | 1,20,000         | 1,60,000         |
| 3.   | 1,60,000         | 2,00,000         |
| 4.   | 2,40,000         | 1,20,000         |
| 5.   | 1,60,000         | 80,000           |

The expected scrap value of each machine at the end of five years is Rs.10,000. The company has a target of return on capital of 10% and on this basis, you are required to compare the profitability of the machines and state which alternative you consider financially preferable under discounted cash flow method

18. Following is the balance sheet of Alok Ltd. as on 31<sup>st</sup> march 2010 and 2011

| <b>Liabilities</b>          | <b>2010</b>    | <b>2011</b>     | <b>Assets</b> | <b>2010</b>    | <b>2011</b>     |
|-----------------------------|----------------|-----------------|---------------|----------------|-----------------|
| Share capital of Rs.10 each | 100,000        | 1,50,000        | Machinery     | 75,000         | 71,000          |
| 5% Bonds                    | 75,000         | 50,000          | Land          | 120,000        | 150,000         |
| Bills payable               | 20,000         | 22,000          | Stock         | 20,000         | 35,000          |
| P/L a/c                     | 15,000         | 25,000          | Goodwill      | 8,000          | 6,000           |
| Reserves                    | 10,000         | 12,000          | Debtors       | 15,000         | 10,000          |
| Creditors                   | 23,000         | 21,000          | Bank balance  | 5,000          | 8,000           |
| <b>Total</b>                | <b>243,000</b> | <b>2,80,000</b> |               | <b>243,000</b> | <b>2,80,000</b> |

Prepare a cash flow statement

### SECTION – C

Answer any two questions

(2\*20=40)

19. From the following Trial balance of Mr. Rahim as on 31<sup>st</sup> March 2009, prepare Trading and profit & loss a/c and balance sheet taking into account the adjustments:

| <i>Debit balances</i> | <i>Rs.</i>      | <i>Credit balances</i> | <i>Rs.</i>      |
|-----------------------|-----------------|------------------------|-----------------|
| Land & buildings      | 42,000          | Capital                | 62,000          |
| Machinery             | 20,000          | Sales                  | 98,780          |
| Good will             | 7,500           | Purchase returns       | 500             |
| Stock on 1.4.2008     | 5,760           | Sundry creditors       | 6,300           |
| Sundry debtors        | 14,500          | Bills payable          | 9,000           |
| Purchases             | 40,675          |                        |                 |
| Cash in hand          | 540             |                        |                 |
| Cash at bank          | 2,630           |                        |                 |
| Sales returns         | 680             |                        |                 |
| Wages                 | 8,480           |                        |                 |
| Oil, coal & power     | 730             |                        |                 |
| Carriage inwards      | 3,200           |                        |                 |
| Rent                  | 4,000           |                        |                 |
| Carriage outwards     | 2040            |                        |                 |
| Salaries              | 15,000          |                        |                 |
| General expenses      | 3,000           |                        |                 |
| Insurance             | 600             |                        |                 |
| Drawings              | 5,245           |                        |                 |
|                       | <b>1,76,580</b> |                        | <b>1,76,580</b> |

**Adjustments:**

- (i) Stock on 31.3.2009 was Rs. 25,000.
- (ii) Salary and rent outstanding Rs.1,500 and Rs.300 respectively.
- (iii) Insurance prepaid Rs.150.
- (iv) Depreciate machinery @ 12%.
- (v) Create a provision of 10% on debtors for bad and doubtful debts.

20. Xerox Ltd. wishes to arrange overdraft facility with its banker during the period April-June. You are required to prepare cash budget for the above period from the following data.

| Months   | Sales    | Purchases | Wages  | Other expenses |
|----------|----------|-----------|--------|----------------|
| February | 1,20,000 | 1,00,000  | 16,000 | 4,000          |
| March    | 1,00,000 | 2,50,000  | 12,000 | 5,000          |
| April    | 1,30,000 | 1,10,000  | 20,000 | 2,500          |
| May      | 1,40,000 | 90,000    | 12,500 | 4,500          |
| June     | 1,60,000 | 1,20,000  | 14,000 | 7,000          |

Additional information:

1. 20% of sales are made on cash basis and the balance on with one month credit
2. Creditors are paid in the month following the month of purchases
3. Wages are paid at the end of respective month
4. Other expenses in the month following
5. Cash at bank on 1<sup>st</sup> April Rs.25,000

21. TVS Electronics, the manufacturer of Computer key boards present the following

Material cost Rs.550 per unit

Labour cost Rs. 250 per unit

Fixed overheads Rs.50,00,000

Selling price Rs.1,200 per unit

Find out

- (a) Profit Volume ratio
- (b) Break even point
- (c) The impact of downward revision of selling price by Rs.100 per unit on BEP
- (d) Sales required to earn a profit of Rs.10,00,000
- (e) Profit or Loss when sales are Rs. One crores.

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