LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

THIRD SEMESTER – NOVEMBER 2016

CO 3901 - ACCOUNTING AND FINANCIAL MANAGEMENT

Date: 16-11-2016 Dept. No. Max. : 100 Marks
Time: 01:00-04:00

PART–A

ANSWER ALL THE QUESTIONS: **10X2=20 Marks**

1. What is meant by journal?
2. What is depreciation? Why is it provided?
3. What is meant by capital budget?
4. What is meant by capital gearing?
5. What is the significance of financial leverage?
6. Write note on bond dividend.
7. From the following information relates to Yes Ltd.

EPS	Rs. 10
IRR	18%
Cost of Capital	20%
Pay-out Ratio	40%

Compute the market price under Walter's model.

8. What is meant by operating cycle?
9. What are the essentials of sound capital mix?
10. What is meant by Trial balance?

PART–B

ANSWER ANY FOUR QUESTIONS: **4x10 = 40 Marks**

11. What are the various functions of finance manager?
12. What are the advantages of double entry system?
13. Differentiate profit maximisation with wealth maxmisation.
14. What are the determinants of dividend policies?
15. Prepare Two column cash book from the following details:

2009 Nov 1. Cash in hand Rs.3 900
5. Sold goods for cash Rs.64 200
7. Purchased from Varun Rs.43 500
10. Received from Mohan Rs.42 400 and discount allowed Rs.400.
13. Paid for electricity Rs.3 360
18. Drew from bank for office use Rs.12 800
22. Paid cash to Varun Rs.43 000 in full settlement of his account.
25. Received cash from Johnson Rs.7 700 and discount allowed Rs.300
30. Paid salaries rs.21 000.

16. An investment of Rs. 10,000 (having scrap value Rs. 500) yields the following returns:

Year	1	2	3	4	5
Cash flow After Tax	4,000	4,000	3,000	3,000	2,500

The cost of capital is 10%. Is the investment desirable? According to NPV method the P.V Factors are as follows:

Year	1^{st}	2^{nd}	3^{rd}	4^{th}	5^{th}
P.V. Factors	0.909	0.826	0.751	0.683	0.620

17. X Ltd. Needs Rs. 6,00,000 for the construction of a new plant. The following three financial plans are available;

a. The company may issue 60,000 Equity shares of Rs, 10 each

b. The company may issue 30,000 Equity shares of Rs, 10 each and 3,000 debentures of Rs. 100 each bearing 8% coupon rate of interest.

c. The company may issue 30,000 Equity shares of Rs, 10 each and 3,000 preference shares of Rs. 100 each bearing 8% coupon rate of dividend.

The profit before interest and tax (PBIT) is expected to be Rs. 1, 50,000. Corporate rate is 50%. Calculate the earnings per share under these three plans. Which plan would you recommend? Why?

18. Calculate Financial leverage and Operating leverage from the following data:

Sales made Rs. 50,000 Variable cost Rs. 25,000

Fixed cost Rs. 15,000 Interest charges Rs, 5,000

PART–C

ANSWER ANY TWO QUESTIONS: 2X20 = 40 MARKS

19. Explain the determinants of capital structure.

20. From the following prepare final accounts.

Particulars	Rs.	Particulars	Rs.
Opening stock	20 000	Capital	80 000
Bills receivable	30 000	Creditors	15 000
Debtors	20 000	Bills payable	12 500
Carriage in	1 500	Miscellaneous receipts	450
Wages	13 000	Commission	2 500
Salaries	10 000	Bad debts provision	550
Telephone	1 000	Sales	147 200
Repairs	350		
Purchase	65 000		
Cash at bank	8 600		
Plant & machinery	65 800		
Furniture	9 000		
Miscellaneous expenses	350		
Depreciation	5 200		
Bad debts	400		
Rent	8 000		
Total	258 200	Total	258 200

The following additional information is to be taken into consideration.

1. Closing stock amounting to Rs.30,000.
2. Bad debts provision is equal to 2 ½ % of debtors.
3. Interest on capital is to be provided at 2.5%. p.a.
4. Provide outstanding liabilities; - Salaries-Rs. 2,500; Wages Rs.1, 500; Rent- Rs.2, 000.
5. It was discovered that stock sheet s as on 31-12-1992 were over cast to the extent of Rs.1, 000.

21. A company was recently formed to manufacture a new product. It has the following capital structure;

Particulars	Rs.
9% Debenture	10,00,000
7% Preference Shares	4,00,000
Equity Shares	16,00,000
Retained Earnings	10,00,000
Total	40,00,000

The market price of Equity share is Rs. 80. A Dividend of Rs. 8 per share is proposed.

The company has marginal Tax rate of 50% and shareholders individual Tax rate is 25%.Compute the weighted average cost of capital of the company after tax?

22. From the following projection of Wye Ltd. You are required to prepare working capital requirement of the company.

Particulars	Rs.
Annual Sales	7,20,000
Cost of production including depreciation of Rs. 60,000	6,00,000
Raw materials purchase	3,52,000
Overheads per month	15,000
Anticipated opening stock of raw materials	70,000
Anticipated closing stock of raw materials	62,000

Inventory norms:

1. Raw materials 2 months
2. Work-in progress 1/2 month
3. Finished goods 1 month
4. Credit allowed to customers 1 month
5. Credit allowed to suppliers 15 days

Cash balance desired to be maintained Rs. 10,000.

The company received in advance of Rs. 15,000 on sales orders.

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