

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

M.C.A. DEGREE EXAMINATION – COMPUTER APPLICATION

THIRD SEMESTER – NOVEMBER 2009

**CO 3901 - ACCOUNTING AND FINANCIAL MANAGEMENT**

Date & Time: 14/11/2009 / 9:00 - 12:00 Dept. No.

Max. : 100 Marks

**SECTION –A**

**ANSWER ALL THE QUESTIONS**

**(10 X 2 =20)**

1. What is Accounting Equation?
2. State the advantages of having subsidiary books
3. State any four functions of finance manager in an organisation.
4. State any two applications of marginal costing in business decision making.
5. What is capital budgeting?
6. What is Zero base budgeting?
7. When Margin of safety is 20% and P/V ratio 60% , the profit percentage will be -----?
8. Total cost at 50% capacity is Rs.9,00,000 which includes a fixed expenses of Rs.3,00,000 , what will be the total cost at 80% capacity.
9. A company has an EPS of Rs.28 per share and it declared a dividend of Rs.10 per share, Compute retained earning ratio.
10. If P/V ratio is 30%, fixed cost Rs.900, selling price 70, profit----- ?  
a)  $30X - 900$  b)  $15X - 70$  c)  $21X - 900$  d)  $70X + 3600$

**SECTION – B**

**ANSWER ANY FIVE QUESTIONS**

**( 5 X 8 = 40 )**

11. What is accounting ? Describe the advantages of accounting and use of accounting information to various stakeholders.
12. Define Financial Management. And Explain the objectives of Financial Management.
13. Write up a three column cash book for the following transactions:

2007 May	Rs.
1 Introduced capital	50,000
3 Deposit in to the bank	20,000
4 Goods purchased from Ms.Radha	60,000
6 Credit sales to Mr.Manic & co	56,000
7 Wages paid	2,000
9 Withdrew from bank for personal use	1,500
12 Withdrew from bank for office use	8,000
15 Issued a cheque to Ms.Radha towards full settlement	59,000
22 Received a cheque from Mr.Manic& co	25,000

14. From the following, prepare a Cash Budget for the months January to March:

Particulars	January	February	March
Cash in hand	10,000	--	--
Credit Sales	1,00,000	1,50,000	2,00,000
Credit Purchases	50,000	70,000	1,00,000
Selling Expenses	10,000	20,000	40,000
Wages	20,000	22,000	24,000

Supplier gives one month credit and , Sales recovery 60% in the month of sale and the balance in the following month. Delay in payment of wages one month and selling expenses ½ month.

15. Xion ltd. sells 10000 units at Rs.10 per unit. Fixed cost is Rs.20,000 and variable cost is Rs.6 per unit. Find out ;
- P/V ratio
  - Break even point
  - If selling price is reduced by 10% , How many units must be sold to earn the same profit?
  - Sales level to earn a profit of Rs. 1,00,000
16. 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 flow as under:

End of Year	Project 1	Project 2	Discount factor @ 10%
1	25,000	10,000	0.909
2	15,000	12,000	0.826
3	10,000	18,000	0.751
4	5,000	25,000	0.683
5	12,000	8,000	0.621
6	6,000	6,000	0.564

The cost of capital of the company is 10%. Using discounted cash flow method , recommend which proposal is to be preferred.

17. RR ltd. furnishes you the following
- Net profit before tax Rs.100,000 : Tax rate 50%
  - 10% preference share capital (of Rs.10 each) Rs.1,00,000
  - Equity share capital ( Rs.10 each) Rs.1,00,000
  - Dividend declared on equity shares 20%
  - Market price per share Rs. 130
- Find out (a). Dividend yield ratio (b). Earnings per Share (c). Price earning ratio (d). Pay out ratio
- 18.From the extract of the balance sheet given below, Compute :
- Current Ratio
  - Debt Equity Ratio
  - Fixed Assets Ratio
  - Liquid Ratio

Liabilities	Rs.	Assets	Rs.
Equity share capital	25,000	Fixed Assets	30,000
Preference Capital	5,000	Stock	10,000
Reserves	4,000	Debtors	7,500
Debenture	8,000	Bank	2,500
Creditors	5,000	Prepaid expenses	1,000
Provision for tax	2,000	Cash	3,000

### SECTION – C

ANSWER ANY TWO QUESTIONS

( 2 X 20 = 40 )

19. The following is the trial balance of David & co for the year ended 31<sup>st</sup> March 2006

Debit balances	Rs.	Assets	Rs.
Purchases	2,69,300	Sales	3,80,000
Carriage inward	3,000	Discount received	1,000
Selling expenses	17,500	Capital	1,50,000
Machinery	1,00,000	Dividend received	500
Computer	50,000	Creditors	12,500
Opening stock	9,000	Bank overdraft	6,200
Salaries	12,000		
Rent and taxes	2,400		
Insurance	1,850		
Cash in hand	13,500		
Sales return	1,000		
Wages	14,760		
General expenses	5,890		
Debtors	50,000		
<b>Total</b>	<b>5,50,200</b>	<b>Total</b>	<b>5,50,200</b>

Adjustments:

- a. Stock at the end of the year Rs. 18,000
- b. Out standings ; Rent Rs.400, Wages Rs.240 , Salaries Rs.2,000
- c. Insurance prepaid Rs.150
- d. Write off Machinery by 10% and Computer by 20%
- e. Bad debts Rs.2,000 , create provision for doubtful debts @ 5% on debtors.

You are required to prepare Trading and Profit/Loss a/c and Balance sheet as on 31<sup>st</sup> March 2006.

20.The expenses for the budgeted production of 20,000 units in a factory are furnished below:

Particulars	Per unit cost Rs.
Materials	140
Labour	50
Direct expenses	10
Factory overheads : Variable	40
Fixed	20
Selling expenses ( 10 % Fixed)	26
Distribution expenses ( 20 % Fixed )	14
Administration expenses ( 100% Fixed )	10

Prepare a Flexible budget for the production of a) 16,000 units b) 12,000 units  
Indicate cost per unit at both the levels.

21.SS ltd. supplies you the following balance sheet for the year ending 31.12.1998 and 31.12.99.

Liabilities	31.12.1998	31.12.1999	Assets	31.12.1998	31.12.1999
Share capital	70,000	74,000	Bank balance	9,000	7,800
8% Debenture	12,000	6,000	Debtors	14,900	17,700
Creditors	10,360	13,840	Stock	49,200	42,700
Reserves	700	1,000	Land	20,000	30,000
P/L a/c	10,140	10,560	Good will	10,000	5,000
Bills payable	4,000	1,000	Furniture	4,100	3,200
<b>Total</b>	<b>1,07,200</b>	<b>1,06,400</b>	<b>Total</b>	<b>1,07,200</b>	<b>1,06,400</b>

Additional information:

- Dividend paid during the year was Rs.3,500
- Provision for Tax made and paid Rs.2,000

You are required to Prepare Cash Flow Statement

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