

2015

MCA

2nd Semester Examination

ACCOUNTING & FINANCIAL MANAGEMENT

PAPER—MCA-202

Full Marks : 100

Time : 3 Hours

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Answer Q. No. 1 and any four questions from the rest.

1. Answer any four of the following questions : $5\frac{1}{2} \times 4$

(a) What are the different types of error that may be there even after the Trial Balance tallies? Give an example of a compensating error.

(b) What is owner's equity? How does owner's equity increase/reduce? $2\frac{1}{2} + 3$

(c) What do the words debit and credit imply? Give the rules of debit and credit. $2\frac{1}{2} + 3$

(Turn Over)

- (d) What is Variance analysis? How would you analyse Material Cost Variances?
- (e) Explain with example the 'Entity concept' and 'Conservatism principle' as they are used in accounting.
- (f) What is depreciation? What are the different methods of charging depreciation? Explain any one such method.
- (g) How can you classify costs on different bases? With the help of an example distinguish between Direct and Indirect costs.

2. A proforma cost sheet of a company provides you the following information:

Particulars	Amount per unit Rs.
Elements of cost:	
Raw Materials	80
Direct Labour	30
Overhead	60
Total cost	170
Profit	30
Sales	200

Following further particulars are available:

Raw materials in stock, on average: 1 month

Materials in process, on average: Half a month

Finished goods in stock, on average:	1 month
Credit allowed by suppliers:	1 month
Credit allowed to debtors:	2 month
Average time-lag in payment of wages:	1 month
Average time-lag in payment of overhead expenses:	1.5 weeks
Cash in hand and at bank is desired to be maintained at Rs.3,65,000.	

You are required to prepare a statement showing the working capital needed to finance a level of activity of 1,04,000 units of production. You may assume that production is carried on evenly throughout the year, and wages and overheads accrue similarly. 12

3. The following is the summarised Trading and Profit and Loss A/c, for the year ending and the Balance Sheet as at that date:

Trading and Profit and Loss Account
for the year ending 31.03.2015

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Opening stock	10,000	By Sales	1,00,000
To Purchases	50,000	By Closing stock	15,000
To Direct expenses	5,000		
To Gross profit c/d	50,000		
	1,15,000		1,15,000
To Administrative expenses	15,000	By Gross Profit b/d	50,000
To Interest	3,000		
To Selling expenses	12,000		
To Net Profit	20,000		
	50,000		50,000

Balance Sheet as on 31.03.2015

Liabilities	Rs.	Assets	Rs.
Capital	1,00,000	Land and Building	50,000
Current liabilities	40,000	Plant and machinery	30,000
Profit and Loss A/c	20,000	Furniture	20,000
		Stock	15,000
		Sundry debtors	15,000
		Bills receivable	12,500
		Cash in hand and at bank	17,500
	1,60,000		1,60,000

From the above, calculate:

- Gross Profit Ratio.
- Current Ratio.
- Acid Test Ratio.
- Stock Turnover Ratio.
- Fixed Assets Turnover Ratio.

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4. A company has to select one of the two alternative projects whose particulars are given below:

	Project A Rs.	Project B Rs.
Initial outlay	12,000	11,000
Net Cash flows:		
End of year 1	9,000	1,000
2	3,000	2,000
3	2,000	3,000
4	1,000	9,000

Assume 8% to be the cost capital; this rate is to be applied for discounting under Net Present Value method.

Compute the Net Present Value and Internal Rate of Return for both the projects and decide which project is to be selected under each of the methods.

The present Value Factors for Re.1 to be received at the end of each year, at different cost of capital, are given below:

Year	Cost of capital			
	8%	10%	12%	14%
1	0.926	0.909	0.893	0.877
2	0.857	0.826	0.797	0.770
3	0.794	0.751	0.712	0.675
4	0.735	0.683	0.636	0.592

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5. From the following particulars, you are required to calculate:
- P/V Ratio.
 - BEP for sales.
 - Margin of safety.
 - Profit when sales are Rs.2,00,000/-.
 - Sales required to earn a profit of Rs.40,000/-.

Year	Sales Rs.	Profit Rs.
2013	2,40,000	18,000
2014	2,80,000	26,000

Also evaluate the effect of the following separately on the profit in 2014 :

- (i) 20% decrease in sales quantity.
- (ii) 20% decrease in sales quantity accompanied by 10% increase in sales price and reduction of Rs. 3,500 in fixed costs.

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6. From the under noted Trial Balance of a Trader as on 31.03.2015, prepare a Trading and Profit & Loss Account for the year ended 31st March, 2015 and a Balance Sheet as on that date.

Trial Balance

Credit Balances	Amount Rs.	Debit Balances	Amount Rs.
Capital	1,00,000	Cash in hand	1,700
8% Bank Loan	30,000	Purchases	1,30,000
Bills Payable	12,000	Stock (Opening)	40,000
Sundry Creditors	14,000	Sundry Debtors	60,000
Sales	2,00,000	Plant & Machinery	60,000
Bad Debt Reserve	1,400	Furniture	15,000
Discounts	600	Bills Receivable	5,000
		Rent & Taxes	10,000
		Wages	16,000
		Salaries	20,000
		Discounts	300
	3,58,000		3,58,000

Following additional information could be made available:

- (i) Closing Stock: Rs.40,000
- (ii) Outstanding Liabilities: Wages Rs.3,500; Salaries Rs.4,000
- (iii) Rent paid in advance: Rs.1,000
- (iv) Depreciation to be provided: Plant & Machinery — 15%, Furniture — 10%.
- (v) Write off Bad Debt: Rs.1,000
- (vi) Create a Bad Debt Reserve @2.5% on Sundry Debtors.
- (vii) Discount receivable: Rs.200. 12

7. (a) Between Gross Profit and Net Profit, which one is more reliable and why? Explain with example.
- (b) What is Journal Proper? Which types of transactions are recorded in it?
- (c) Describe Pay Back Period method of capital project appraisal. What are its limitations? 4×3

8. (a) What is 'Contra Entry'? Explain with an example.
- (b) Mention important ratios to judge the liquidity of a firm. Give a brief explanation to each of them.
- (c) Define Budget. Classify budgets on different bases.

4×3

Internal Assessment — 30
