MCA 2nd Semester Examination, 2012

ACCOUNTING AND FINANCIAL MANAGEMENT

PAPER – MCA-202

Full Marks : 100

Time : 3 hours

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

The figures in the right hand margin indicate marks

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

Illustrate the answers wherever necessary

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

 (*a*) What principle is followed in valuing closing stock ? Why is it important to value closing stock rationally ?

 (*b*) Explain the following two concepts and their application in accounting : Matching Concept and Going Concern Concept.

(*c*) Is Cash Book a Journal or a Ledger ? Provide arguments in favour of your answer. Show a record of a Contra Entry in Cash Book.

(*d*) What is Working Capital ? Explain Working Capital Cycle.

(*e*) Explain Debt-Equity ratio and Capital Gearing ratio.

(*f*) Define Budget and Budgetary Control. Identify the steps in Budgetary Control.

(*g*) What do you mean by Break Even Chart ? What information can be derived from a Break Even Chart ?

2. A company provides depreciation under the straight line method at the rate of 10% p.a. The balance standing in the Plant and Machinery Account on 31st December, 2009, after writing off depreciation for the year was Rs. 1,95,150 (total cost price of the plant was Rs. 3,58,000). During January 2010 new plant was purchased at a cost of Rs. 29,500 and one machine which had cost of Rs. 5,500 in 1998, was sold as scrap for Rs. 400.

During January 2011, there were additions costing Rs. 18,000 and a machine which had cost Rs. 7,000 in 2006 was sold for Rs. 3,500.

Write up Plant and Machinery Account for 2010 and 2011. 12

3. Compute all possible variances from the following information :

Standard direct cost per unit :

Material cost : 5 kgs	Rs. 50
Labour cost : 20 hours	Rs. 100
	Rs. 150

For production of 500 units, materials consumption amounted to Rs. 25,800 against 2.7 M.T. Wages payment was Rs. 60,500 for 1,100 hours including 20 hours idle time due to machine break down. 12

4. From the following balances taken from the ledger of Sri Ram on 31st March 2012, prepare the Trading and Profit & Loss Account for the year ended 31st March, 2012 and the Balance Sheet as on that date. Following adjustments are also to be taken into account :

(*a*) Write off further Rs. 300 as bad out of Sundry Debtors and create a Reserve for Bad Debts at 20% on Debtors.

(*b*) Dividends accrued and due on investments is Rs. 135. Rates paid in advance Rs. 100 and Wages outstanding Rs. 450.

(*c*) On 31.03.2012 stock was valued at Rs. 15,000 and Loose Tools were valued at Rs. 800.

(*d*) Write off 5% for depreciation on Buildings and 40% on Motor Van.

(*e*) Provide for interest at 12% p.a. due on loan taken on 01.06.2011.

(*f*) Income Tax paid has to be treated as Drawings. 12

Particulars	Amount Rs.	*Particulars*	Amount Rs.
Sundry Creditors	19,000	Bad Debts	100
Building	15,000	Loan from Shyam	2,500
Income Tax	1,025	Sundry Debtors	9,500
Loose Tools	1,000	Investments	6,500
Cash at Bank	16,200	Bad Debt Reserve	1,600
Sundry Expenses	1,990	Rent and Rates	850
Bank Interest (Cr.)	75	Furniture	3,000
Purchases	1,57,000	Stock (1.04.2011)	27,350
Wages	10,000	Capital	47,390
Carriage Inwards	1,120	Discount allowed	630
Sales	1,85,000	Discount received	535
Motor Van	12,500	Drawings	2,000
Cash in Hand	335	Bills Payable	10,000

5. From the following information prepare a statement showing the estimated Working Capital Requirements : 12

(i) Projected annual sales – 26,000 units

(ii) Selling price per unit – Rs. 60·00

(iii) Analysis of selling price : Materials – 40%, Labour – 30%, Overheads – 20%, Profit – 10%.

(iv) Time lag (on average) : Raw materials in stock – 3 weeks, Production process – 4 weeks, Credit to Debtors – 5 weeks, Credit from Suppliers – 3 weeks, Lag in payment of wages and overheads – 2 weeks, Finished goods are in warehouse – 2 weeks.

(v) Cash in hand is expected to be 10% of Net Working Capital.

6. The following particulars are presented by Raj Corporation Ltd. for 2011.

	Rs.
Sales	80,000
Fixed cost	24,000
Variable cost	40,000

Find out :

(*i*) P/V Ratio, Break-Even Sales, Margin of Safety at the above situation.

(*ii*) Also calculate the effects of the following changes separately on the P/V Ratio, Break-Even Sales, and Margin of Safety :
(*a*) 10 % increase in fixed cost ; (*b*) 10 % decrease in variable cost ; (*c*) 10 % decrease in selling price, and (*d*) 10 % decrease in sales which is accompanied by 10 % decrease in variable cost. 3 + 9

7. What do you mean by Ratio Analysis ? Indicate and explain the ratios you would consider to analyse Liquidity, Profitability and Solvency of a firm. 2 + 10

8. Write notes on the following : 4 × 3

(*i*) Necessity of preparing a Fund Flow Statement ;

(*ii*) Net Present Value and Internal Rate of Return methods ;

(*iii*) Capital Expenditure and Revenue Expenditure.

[*Internal Assessment* – 30 Marks]