

MCA 2nd Semester Examination, 2013
ACCOUNTING AND FINANCIAL MANAGEMENT

PAPER—MCA - 202

Full Marks : 100

Time : 3 hours

**Answer any 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) How could you classify accounts ? Explain, with example, Golden Rules to identify Debit and Credit in each type of accounts.
- (b) Explain the principle of Conservatism and the Matching Concept as they are applied in case of valuation of closing stock.

(Turn Over)

(2)

- (c) What is Journal Proper ? Which types of transactions are recorded in it ?
- (d) Explain Gross and Net Working Capital concepts. Can working capital be negative ? If so, what does that indicate ?
- (e) Rainbow Ltd. sold goods for Rs. 30,00,000 in a year. In that year the variable costs were Rs. 6,00,000 and fixed costs were Rs. 8,00,000. Find out : (i) P/V Ratio, and (ii) Break-even sales if selling price was reduced by 10 % and fixed costs were increased by Rs. 1,00,000.
- (f) What is depreciation ? What are the different methods of depreciation ? Mention the suitable application situations of any one such method.
- (g) Distinguish between Gross Profit and Net Profit. Which one is more reliable and why ?

2. From the following Balance Sheets of Sunclear Ltd. prepare (i) a Statement of Changes in Working Capital and (ii) a Fund Flow Statement for the year 2012.

<i>Liabilities</i>	2011 Rs.	2012 Rs.	<i>Assets</i>	2011 Rs.	2012 Rs.
Equity Capital	3,00,000	4,00,000	Goodwill	1,00,000	70,000
8 % Redeemable Preference Share	1,50,000	1,00,000	Land & Building	2,00,000	1,70,000
Capital Reserve	-----	20,000	Plant	80,000	2,00,000
General Reserve	40,000	30,000	Investment	20,000	30,000
Profit & Loss A/c	30,000	48,000	Debtors	1,40,000	1,80,000
Proposed Dividend	42,000	50,000	Stock	77,000	1,09,000
Sundry Creditors	25,000	47,000	Bills Receivable	20,000	30,000
Bills Payable	20,000	16,000	Cash in hand	15,000	10,000
Liability for Expenses	30,000	36,000	Cash at Bank	10,000	8,000
Provision for Taxation	40,000	50,000	Preliminary Expenses	15,000	10,000
	6,77,000	8,17,000		6,77,000	8,17,000

Additional information :

(a) A piece of land has been sold out in 2012 and the profit on sale has been credited to Capital Reserve Account.

(b) A machine has been sold for Rs. 10,000. The written down value of the machine was Rs. 12,000. Depreciation of Rs. 10,000 has been charged to Plant Account in 2012.

(c) An interim dividend of Rs. 20,000 has been paid in 2012.

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3. The following financial statement is summarized from the books of Armstrong Ltd. as on 31st March, 2013 :

Capital & Liabilities	As on 31.03.13 Rs.	Property & Assets	As on 31.03.13 Rs.
Paid-up Capital	15,00,000	Fixed Assets	16,50,000
Reserves & Surplus	6,00,000	Stock-in-trade	9,10,000
Debentures(Long-term)	5,00,000	Debtors	12,40,000
Bank Overdraft	2,00,000	Investment(Short-term)	1,60,000
Sundry Creditors	12,00,000	Cash	40,000
	40,00,000		40,00,000

Other relevant information :

Annual Sales : Rs. 74,40,000, Gross Profit : Rs.7,44,000, Bank Overdraft is payable on demand.

You are required to calculate the following ratios for the year and comment on the financial position as revealed by these ratios :

- (i) Debt-Equity Ratio
- (ii) Current Ratio
- (iii) Proprietary Ratio
- (iv) Gross Profit Ratio
- (v) Debtors Turnover Ratio
- (vi) Stock Turnover Ratio.

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4. (a) How can you analyse the Material Cost variances ?

(b) From the following information of Orient Manufacturing Co. Ltd. compute the Labour Cost variances :

Standard labour cost per unit of production : Rs. 15

Time allowed per unit : 30 hours
During the month of March, 2013, 3,000
units were produced in 75,000 hours.
Actual payment of wages for the month :
Rs.45,000. 4 + 8

5. From the following balances taken from the ledger of Sri Shyam on 31st March, 2013, prepare the Trading and Profit & Loss Account for the year ended 31st March, 2013 and the Balance Sheet as on that date. Following adjustments are also to be taken into account : 12
- (a) Write off Rs.600 as bad out of Sundry Debtors and create a Reserve for Bad Debts at 10 % on Debtors.
 - (b) Dividends accrued and due on investments is Rs.135. Rates paid in advance Rs. 100 and Wages outstanding Rs.450.
 - (c) Write off 5 % for depreciation on Buildings, 10 % on plant, and 40 % on Motor Van.
 - (d) Provide for interest at 12 % p.a. due on loan taken on 01.09.2012.

(e) Income Tax paid was due to his personal income.

<i>Particulars</i>	<i>Amount Rs.</i>	<i>Particulars</i>	<i>Amount Rs.</i>
Sundry Creditors	19,000	Loan from Rohan	2,500
Building	15,000	Sundry Debtors	19,600
Income Tax	1,025	Investments	6,500
Plant	11,000	Bad Debt Reserve	1,600
Cash at Bank	16,200	Rent and Rates	850
Sundry Expenses	1,990	Furniture	3,000
Bank Interest (Cr.)	75	Stock(1.04.2012)	17,350
Purchases	1,57,000	Capital	47,390
Wages	10,000	Discount allowed	535
Carriage Inwards	1,120	Discount received	630
Sales	1,95,000	Drawings	2,000
Motor Van	12,500	Bills Payable	10,000
Cash in Hand	335		

6. A Company has annual fixed costs of Rs. 1,40,000. In 2012, sales amounted to Rs. 6,00,000 as compared to Rs. 4,50,000 in 2011. The amount of profit in 2012 was Rs. 42,000 higher than that in 2011.

- (i) At what level of sales does the company break-even ?
 - (ii) Determine the profit or loss on a forecast sales volume of Rs. 9,00,000.
 - (iii) If there is a reduction in selling price by 10 % in 2013 and the company desires to earn the same amount of profit as in 2012, what should be the required sales volume ? 12
7. (a) Describe the process of estimating Working Capital Requirement of a manufacturing concern.
- (b) Explain with reasons the following in preparing a Statement of Working Capital Requirement Forecast:
- (i) How to determine the block period for wages and expenses when production is carried on evenly during a given processing period ?
 - (ii) Why profit element is considered as a component of working capital ? 8 + 4

8. Write short note on any *three* of the following : 4 × 3
- (i) Pay Back Profitability method
 - (ii) Internal Rate of Return
 - (iii) Mistakes not detected even with a tallied Trail Balance
 - (iv) Deferred Revenue Expenditure
 - (v) Classification of assets.

[*Internal Assessment* : 30 Marks]
