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MCA (Revised)
Term-End Examination
December, 2008

**MCS-035 : ACCOUNTING AND FINANCIAL
MANAGEMENT**

Time : 3 hours

Maximum Marks : 100
(Weightage 75%)

Note : *Question number 1 is compulsory and carries 40 Marks.
Attempt any **three** questions from the rest, which carry
20 Marks each.*

1. (a) The following Trial Balance is extracted from the books of M/s Sunrise Traders as on 31st March 07. 30

Trial Balance

Particulars	Dr.	Cr.
Furniture and Fittings	6,400	—
Motor vehicles	62,500	—
Building	75,000	—
Bad debts	1,250	—
Sundry Debtors	38,000	—
Stock (1 January 2007)	34,600	—
Advertising	4,500	—
Interest account	1,180	—
Cash	6,500	—
Taxes and Insurance	12,500	—
General expenses	7,820	—
Salaries	33,000	—
Purchases and Sales	54,750	1,54,500
Sales and Purchases return	2,000	1,250
Capital account	—	1,25,000
Provision for bad debts	—	2,000
Sundry Creditors	—	25,000
Bank overdraft	—	28,500
Commission	—	3,750
	3,40,000	3,40,000

The following adjustments are to be made :

- (i) Stock in hand on 31-12-2007 was Rs. 32,500.
- (ii) Depreciate building @ 5%, Furniture @ 10% and Motor vehicles @ 20%.
- (iii) Rs. 850 is due for interest on Bank overdraft.
- (iv) Salaries Rs. 3,000 and Taxes Rs. 1200 are outstanding.
- (v) Insurance amounting to Rs. 1000 is prepaid.
- (vi) $\frac{1}{3}$ rd Commission is received in advance.
- (vii) Write off further Rs. 1000 as Bad Debts and Provision for Bad Debts is to be made equal to 5% on Sundry Debtors.

Prepare a Trading and Profit and Loss Account for the year ending 31-03-2007 and a Balance Sheet as on that date.

- (b) Following is the Balance Sheet of Bhoomi Limited 10
as on 31st December, 2007 :

Balance Sheet			
Liabilities	Amount	Assets	Amount
Equity share capital	5,00,000	Cash in hand	10,000
6% Preference share	5,00,000	Bank	50,000
7% Debentures	2,00,000	B/R	1,50,000
8% Public Deb. 5 years	1,00,000	Investment (short term)	1,00,000
Bank overdraft	2,00,000	Debtors	3,50,000
Creditors	3,00,000	Stock	2,00,000
Outstanding Creditors	35,000	Furniture	1,50,000
Proposed dividend	50,000	Machinery	5,00,000
Reserves	7,50,000	Land & Building	11,00,000
Provision for Taxation	1,00,000	Goodwill	1,75,000
P/L A/C	1,00,000	Preliminary Exp.	50,000
	28,35,000		28,35,000

During the year Provision for Taxation was Rs. 1,00,000. Dividend Proposed was Rs. 50,000. Profit carried forward from the last year was Rs. 1,50,000. You are required to calculate.

- (i) Current Ratio
- (ii) Quick Ratio
- (iii) Proprietary Ratio
- (iv) Capital Gearing Ratio
- (v) Debt Equity Ratio

2. Explain the significance of Finance Management for the success or the failure of business operations. 20
3. M/s XYZ has an existing Sales of Rs. 50 Lakhs and allows a credit period of 20 days to its customers. The firm cost of Capital is 10% and the ratio of variable cost to Sales is 85%. The firm is contemplating on increasing the credit period to 40 days which would result in an increased sales of Rs. 5 Lakhs. The Bad debts on increased sales are expected to be 8 percent. The tax rate for M/s XYZ is 40%. Should the firm extend the credit period. 20
4. What are the objectives of Inventory Management ? Explain the techniques of inventory control. 20
5. What is Capital Budgeting ? Explain its process. 20
6. Write short notes on : 20
- (a) Capital Rationing
 - (b) Aggressive Working Capital Strategy
 - (c) Materiality Concept
 - (d) Economic Order Quantity (EOQ)

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