

MCA (Revised)
Term-End Examination
June, 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 is the Trial Balance extracted from the books of M/s Shiv Shankar on 31st March 2007 :

Trial Balance

Debit Balances	Amount	Credit Balances	Amount
Furniture	640	Capital	12,500
Motor Car	6,000	Reserve for Bad Debts	300
Building	7,500	Sundry Creditors	2,400
Bad Debts	175	Sales	12,850
Sundry Debtors	4,000	Bank Overdraft	5,450
Opening Stock	3,460	Purchase Return	125

Debit Balances	Amount	Credit Balances	Amount
Purchase	5,475	Commission	375
Sales Return	200		
Interest	118		
Tax and Insurance	800		
Cash in hand	650		
Car Expenses	900		
General Charges	782		
Salaries	3,300		
	34,000		34,000

Prepare his final accounts taking into account the following adjustments : 20

- (i) Closing Stock Rs. 3,250.
- (ii) Depreciate building at 5% and motor car at 10%.
- (iii) Rs. 285 due for interest on Bank Overdraft.
- (iv) Salaries have been paid for 11 months.
- (v) Insurance Rs. 100 is prepaid.
- (vi) Write-off Rs. 100 as further bad debts and increase the reserve for Bad and Doubtful debts to 5% on debtors.
- (vii) Goods costing Rs. 300 were given away as charity.
- (viii) The car is wholly used for private purpose by the proprietor.

(b) From the following information, prepare Cash Flow Statement :

		2006		2005	
		2006	2005	2006	2005
Liabilities	Share Capital	2,00,000	2,00,000	50,000	2,00,000
	Profit & Loss Account	90,000	90,000	10,000	50,000
	Bank Loan	—	—	15,000	10,000
	Creditors	20,000	20,000	5,000	15,000
	Outstanding Expenses	1,000	1,000	20,000	5,000
	Provision for Taxation	25,000	25,000	—	20,000
	Unclaimed Dividend	4,000	4,000	—	—
		3,40,000	3,40,000	3,00,000	3,00,000
Assets	Cash	10,000	8,000	22,000	8,000
	Bank	20,000	22,000	10,000	22,000
	Debtors	20,000	10,000	25,000	10,000
	Stock	15,000	25,000	2,35,000	25,000
	Non-Current Assets	2,75,000	2,35,000	—	2,35,000
		3,40,000	3,00,000	3,00,000	3,40,000

Net profit for the year 2005 after providing Rs. 20,000 as depreciation was Rs. 60,000. During 2005, company declared equity dividend @ 10%, and paid Rs. 15,000 as income tax.

2. (a) Why should accounting practices be standardised ?
Explain.
- (b) What progress has been made in India regarding the
standardisation of accounting practices ? 20
3. What do you understand by "Financial Management" ?
What is the relationship of finance function to production
and marketing functions ? 20
4. Describe the term "Time Value of Money". How will you
determine the future value of money ? Also describe how
you are going to compute the present and future value of
an annuity. 20
5. What do you understand by Cash management ? Explain
the Baumol model of Cash management. 20
6. Explain the following : 20
- (i) Credit Policy Variables
- (ii) Objectives of Inventory Management