

MCA (Revised)
Term-End Examination
December, 2007

**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) Prepare Trading and Profit & Loss Account for the year ended 31st March 2006 and Balance Sheet as on that date from the following Trial Balance and other information :

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Particulars	Dr Amount (Rs.)	Cr Amount (Rs.)
Capital	—	1,00,000
Furniture	20,000	
Purchases	1,50,000	
Debtors	2,00,000	

Particulars	Dr Amount (Rs.)	Cr Amount (Rs.)
Interest earned		4,000
Salaries	30,000	
Sales		3,21,000
Purchase return		5,000
Wages	20,000	
Rent	15,000	
Bad debts written off	7,000	
Creditors		1,20,000
Drawings	24,000	
Provision for bad debts		6,000
Printing and Stationery	8,000	
Insurance	12,000	
Opening Stock	50,000	
Office expenses	12,000	
Provision for Depreciation		2,000
Sales Return	10,000	

Additional Information :

- (i) Depreciate furniture by 10% on original cost.
- (ii) A provision for doubtful debts is to be created to the extent of 5% on sundry debtors.

- (iii) Salaries for the month of March 2006 amounting to Rs. 3,000 were unpaid which must be provided for. Salaries included Rs. 2,000 paid in advance.
 - (iv) Insurance amounting to Rs. 2,000 is prepaid.
 - (v) Provide for outstanding office expenses Rs. 8,000.
 - (vi) Stock used for personal purpose Rs. 6,000.
 - (vii) Closing stock Rs. 60,000.
- (b) Following is the Balance Sheet of Shyam Mills Limited as on 31st March 2006.

Liabilities	Amount Rs.
Equity share capital	5,00,000
12% Preference share capital	1,00,000
Reserve fund	4,00,000
14% Debentures	7,00,000
Sundry Creditors	60,000
Bills payable	1,00,000
Tax provision	1,30,000
Outstanding expenses	10,000
Total :	20,00,000

Assets	Amount Rs.
Fixed assets 18,00,000	
Less Dep. 5,00,000	13,00,000
Investment (Short term)	1,50,000
Stock	3,00,000
Book Debts	2,00,000
Bank balance	50,000
Total :	20,00,000

Other information supplied is as follows :

(1) Net sales	30,00,000
(2) Cost of goods sold	25,80,000
(3) Net income before taxes	2,00,000
(4) Net income after taxes	1,00,000
(5) Book debts as on 1 st April 2005	3,50,000

You are required to calculate the following ratios :

- (i) Debtors' Turnover Ratio
- (ii) Proprietary ratio
- (iii) Current ratio
- (iv) Gross profit ratio
- (v) Net profit ratio

- 2.** (i) What is meant by time value of money ? 10
- (ii) Explain the following with the help of examples :

- (a) Effective vs. Nominal rates 4
- (b) Annuity 4
- (c) Sinking Fund Factor 2
- 3.** Explain in detail the role and functions of treasury management. 20
- 4.** Define working capital and explain the various sources of working capital. Distinguish between Commercial bill of exchange and Commercial paper. 20
- 5.** The present credit terms of Vijay and Company are 1/10, net 30. Its sales are Rs. 12 crore, its average collection period is 24 days, its variable cost to sales ratio is 0.80 and its cost of funds is 15%. The proportion of sales on which customers currently take discount is 0.3. The company is considering relaxing its terms to 2/10, net 30. Such relaxation is expected to increase the proportion of discount sales to 0.7.
- What will be the effect of relaxing the discount policy on net profit ? The tax rate of the firm is 50%. 20
- 6.** Write short notes on : 20
- (a) Factoring
- (b) Economic Order Quantity
- (c) ABC Analysis
- (d) Internal Rate of Return