

MCA 2nd Semester Examination, 2016

**ACCOUNTING AND FINANCIAL
MANAGEMENT**

PAPER – MCA-202

Full Marks : 100

Time : 3 hours

**Answer Q. No. 1 and any four of the
following questions**

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) **Which are the conditions to be satisfied
by a project appraisal method for being
considered as a rational method? Discuss.**

(2.)

- (b) How is Pay-back period method used as a project appraisal method across the world ? Discuss.
- (c) Define Journal and Ledger. Why trial balance is prepared ?
- (d) Fixed costs are variable per unit, while variable costs are fixed per unit, comment.
- (e) State the main objective of Budgetary control ? What are its pre-requisite for the successful implementation of budgetary control ?
- (f) What is meant by 'Penetrating Pricing' ? List any three circumstances in which this policy is adopted.

2. M Co. Ltd. is considering a primary acceptance or rejection of the two following projects, A and B and if both the projects are found acceptable, to chose one of them. Various information as regards the decision to accept or reject the projects are given as under :

(3)

	<u>Project A</u>	<u>Project B</u>
Initial outlay (in Rs.):	25,00,000	30,00,000
Net profit after tax (in Rs.):		
year-end	1 8,00,000	4,00,000
	2 6,00,000	5,00,000
	3 4,00,000	7,00,000
	4 4,00,000	9,00,000
	5 4,00,000	8,00,000

Both the projects use a machine the cost of which is Rs. 22,00,000 with a scrap value estimated at Rs. 2,00,000 at the end of its expected working life of 5 years. Project duration is also 5 years. If cost of capital is 12%, advise the company about acceptability of the projects following any suitable rational project appraisal method. Corporate tax rate is 50%.

12

3. (a) How is internal rate of return (IRR) calculated for any project ?

(b) How is IRR used to determine acceptability of the project ?

(c) What is the limitation, if any, from which IRR suffers from ?

5 + 3 + 4

(4)

4. Journalise the following transactions in the books of Ratan : 12

2016	(₹)
Mar. 1 Started business with cash	2,00,000
5 Purchased goods in cash from Madhu	45,000
8 Purchased Machine from XYZ Ltd.	54,000
12 Paid Salary	30,000
17 Sold goods in cash to Kamal	80,000
20 Sold goods to Bimal on credit	70,000
25 Returned goods from Bimal	5,000
30 Received interest	3,000

5. With the help of the following ratios regarding Indo Films, draw the Balance Sheet of the company for the year 2015 : 12

(5)

Current Ratio	2.5
Liquidity Ratio	1.5
Net Working Capital	Rs. 3,00,000
Stock Turnover Ratio (Cost of sales/closing stock)	6 times
Gross Profit Ratio	20%
Fixed Assets Turnover Ratio (on cost of sales)	2 times
Debt Collection Period	2 months
Fixed Assets to Shareholders' Net Worth	0.80
Reserve and Surplus to Capital	0.50

6. The following data are obtained from the records of a factory :

Sales 4000 units @ Rs. 25 each	Rs. 1,00,000
Material Consumed	Rs. 40,000
Variable Overheads	10,000
Labour Charges	20,000
Fixed Overheads	<u>8,000</u>
Net Profit	<u>12,000</u>

Calculate :

- (i) The number of units by selling which the company will neither lose nor gain anything;**
- (ii) The sales needed to earn a profit of 20% on sales;**
- (iii) The extra units which should be sold to obtain the present profit if it is proposed to reduce the selling price by 20% and 25%, and**
- (iv) The selling price to be fixed to bring down its break-even point to 500 units under present conditions. 12**

7. (a) Write the significance of the following ratios :

- (i) Debt-Equity ratio**
- (ii) Net Profit ratio**
- (iii) Stock turnover ratio**

(7)

(iv) Debtors turnover ratio

(v) Current ratio

(vi) Activity ratio.

(b) Taking hypothetical example draw a Break Even Chart and explain its significance.

(1 × 6) + 6

[*Internal Assessment* : 30 Marks]
