 LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**M.Com.** DEGREE EXAMINATION - **COMMERCE**

THIRD SEMESTER – **NOVEMBER 2012**

# CO 3901 - ACCOUNTING AND FINANCIAL MANAGEMENT

Date : 16/11/2012 Dept. No. Max. : 100 Marks

Time : 9:00 - 12:00

SECTION A

Answer ALL questions:

Each carries a maximum of 2marks. (10x2=20)

1. State the rules forjournalizing under the double entry book keeping system
2. What is P/V ratio?
3. Sales: Rs. 1,25,000,

Cost of Sales Rs.75,000,

Direct expenses: Rs.22,000,

Calculate Gross profit ratio?

1. State the meaning of ‘Cash flow from financing activities’
2. What is Profitability Index?
3. Current ratio:1.8:1

Current liabilities are Rs.1, 25.000.

What is the value of Current assets?

1. Sales: Rs.3, 75,000. Gross profit: Rs. 93,750. Administrative, Selling & distribution expenses

Rs.23, 750. What is Net profit ratio?

1. Choose the correct answer:

While preparing Cash flow statement, decrease in the amount of Creditors result in

a) Increase in Cash, b) decrease in cash, c) no change in cash

1. How do you adjust depreciation in P&L a/c and in Balance sheet?
2. What is sales budget?

SECTION B

Answer ANY FIVE questions:

Each carries a maximum of 8 marks. (5x8=40)

1. Explain the important accounting concepts and conventions
2. Explain the advantages and limitations of Ratio analysis
3. Explain the method of calculation for any four accounting ratios based on balance sheet
4. Classify the following transactions as

a) Cash flow from operating activities,

b) Cash flow from investing activities,

c) cash flow from the Financial activities:

1. Issue of debentures,

2. Payment of interest

3. Sale of building,

4. Cash sales,

5. Receipt of dividend,

6. Payment of tax,

7. Cash received from debtors,

8, Rent paid

1. You are Given the following Accounting ratios:

Current Ratio = 2.8

Acid Test Ratio = 1.5

Net Working Capital = Rs. 1, 62,000

Using the above data you are required to findout*:*

1. Current Assets
2. Current Liabilities
3. Liquid Assets
4. Stock
5. From the following Balance Sheets as on 31st December, prepare Cash Flow Statement as per AS3:

**Balance Sheets**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2010 | 2009 |  | 2010 | 2009 |
| Liabilities | Rs. | Rs. | Assets | Rs. | Rs. |
| Share Capital | 1,50,000 | 1,00,000 | Fixed Assets | 1,50,000 | 1,00,000 |
| Profit & Loss A/c | 80,000 | 50,000 | Goodwill | 40,000 | 50,000 |
| General Reserve | 40,000 | 30,000 | Stock | 80,000 | 30,000 |
| 6% Debentures | 60,000 | 50,000 | Debtors | 80,000 | 50,000 |
| Creditors | 40,000 | 30,000 | Bills Receivable | 20,000 | 30,000 |
| Outstanding exp. | 15,000 | 10,000 | Bank | 15,000 | 10,000 |
|  | **3,85,000** | **2,70,000** |  | **3,85,000** | **2,70,000** |

1. Explain:

a)Payback period

b)Net present Value method,

c)IRR method

d)ARR method

1. From the following accounting information relating to Maze Ltd, you are required to calculate Net Present Value of the two project proposals. Advise which project is to be selected?

Project **K**athipera Project **V**alsara

Initial Investment Rs.20,00,000 Rs. 30,00.000

Estimated life 5 years 5 years

The profits for the five years are as follows:

Year Project Kathipera(Rs) Project Valsara (Rs) P.V. factor @ 10%

1 10,00,000 14,00,000 0.909

2 6,00,000 14 ,00,000 0.826

3 4,00,000 5,00,000 0.751

1. 5,00,000 5,00,000 0.683

5 5,00,000 2,00,000 0.621

SECTION C

Answer ANY TWO questions:

Each carries a maximum of 20 marks. (2x20=40)

19 . Trial Balance of ThiruRenu as on 31st march 2011 is furnished below. You are required to prepare an Income statement and a Balance sheet as on 31.03.11.

DebitsCredits

Land & Buildings 42,000 Capital 62,000

Machinery 20,000 Sales 98,780

Patents 7,500 Return outwards 500

Stock (opening) 5,760 Creditors 6,300

Debtors 14,500 Bills Payable 9,000

Purchases 40,675

Cash 540

Bank 2,630

Return Inwards 680

Wages 8,480

Fuel & power 4.730

Carriage outwards 3,200

Carriage inwards 2,040

Salaries 15,000

Insurance 600

General expenses 3,000

Drawings by Renu 5,245

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1, 76,580 1, 76,580

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Adjustments:

1. Closing stock Rs.6800
2. Salary outstanding Rs.1,500
3. Insurance prepaid Rs.150
4. Depreciate machinery @10% and Patents @ 20%
5. Create provision of 2% on debtors for bad & doubtful debts

20.The Hosur plant of Jane Ventures is running at present, at 50% of its capacity.

The following cost details are available.

Cost of product per unit

Direct Materials Rs. 2

Direct Labour Rs. 1

Variable Overhead Rs. 3

Fixed Overhead Rs. 2

Total cost Rs. 8

Production per month 20,000 units

Total cost of production Rs. 1,60,000

Sales Rs. 1,40,000

***Loss*** : Rs 20,000

An exporter offers to buy 5,000 units per month at the rate of Rs. 6.50 per unit.

You are required to advice whether the Firm should accept or decline this offer.

1. From the following forecasts of income and expenditure of Swastik Ltd, You are required to prepare a cash budget for the three months commencing 1st June, when the bank balance was Rs. 1,00,000.

*Sales Purchases Wages Factory Admin.and Selling*

*Expenses Expenses*

*Rs. Rs. Rs. Rs. Rs.*

April 80,000 41,000 5,600 3,900 10,000

May 76,500 40,500 5,400 4,200 14,000

June 78,500 38,500 5,400 5,100 15,000

July 90,000 37,000 4,800 5,100 17,000

August 95,000 35,000 4,700 6,000 13,000

A sales commission of 5 per cent on sales is payable two months after each month’s sales, in addition to selling expenses. Plant valued at Rs. 65,000 will be purchased and paid for in August, and the dividend of Rs. 15,000 will be paid in July. There is a two month credit period allowed to customers and also two months credit period received from suppliers.

1. The Electric appliances division of Sumo Ltd attains sales Rs.6,00,000 at 80% of its capacity. Given below are the administrative, selling and distribution costs:
2. Administrative costs:Office Salaries 90,000; General expenses 2% of Sales; depreciation 7,500; Rent 8750;
3. Selling Costs: Salaries 48,000; Travelling 12,000; sales commission 1% on sales; general sales expenses 6,000.
4. Distribution costs: Salaries 15,000; Rent 1% of sales; other expenses 4% of sales

Draw up a flexible budget for Administrative, selling and distribution budget at 80%, 90% and 100% capacity.

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