

R17

Code No: 841AE

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD**MCA I Semester Examinations, January - 2018****ACCOUNTING AND FINANCIAL MANAGEMENT****Time: 3hrs****Max.Marks:75****Note:** This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A. Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

PART - A**5 × 5 Marks = 25**

- 1.a) Explain the following accounting concepts
i) Depreciation ii) Double Entry system iii) Sole Proprietorship
iv) Materiality principle v) Ledger [5]
- b) Compute the present value of the following cash flows at a discount rate of 12%:
i) Cash Flow of Rs. 800 received in years 8, 9, 10
ii) Cash Flow of Rs. 1100 received in years 1, 3, 5 [5]
- c) The Praxis Ltd. has total assets of Rs.10, 00,000 and its asset turnover is 3 times. Its Net Profit Margin on Sales is 15%. What is its return on investment? [5]
- d) Atom Ltd. has a Break Even point of 12,000 units. Its variable cost per unit is Rs.120. Its annual fixed cost is Rs. 5, 00,000.
- Determine:**
i) The selling price
ii) The Degree of Operating Leverage at a quantity 18000 units. [5]
- e) Compare 'Accounting Rate of Return' method with 'pay back' method. [5]

PART - B**5 × 10 Marks = 50**

2. Amarendra started an electronics service centre and conducted the following transactions during the month of June 2017.
1. Invested Rs.200, 000 cash to start the repair shop.
 2. Purchased equipment for Rs.45, 000 cash.
 3. Paid Rs.3500 cash for June office rent.
 4. Paid Rs.4500 cash for supplies.
 5. Incurred Rs.5000 of advertising costs
 6. Received Rs.20, 000 in cash from customers for repair service.
 7. Withdrew Rs.3, 000 cash for personal use.
 8. Paid part-time employee salaries Rs.4, 700.
 9. Paid electricity bills Rs.2500.
 10. Provided repair service on account to customers Rs.15, 000.
 11. Collected cash of Rs.300 for services billed in transaction (10).
- Prepare Ledger accounts and trail balance from the above transactions. [10]

OR

- 3.a) Discuss the various steps involved in Accounting Cycle.
b) Differentiate between Straight Line Method and Written Down Value method. [5+5]

4. Home Appliances Ltd. is currently selling 10,000 units at a selling price of Rs.250. Its variable cost per unit is 150. Annual Fixed Costs are Rs.9, 50,000.
- Determine the operating profit at its current level of sales
 - Show the impact of a 12% increase in quantity of sales on its operating profit
 - Show the impact of a 15% decrease in variable cost on its operating profit
 - If the firm wants to achieve the breakeven point at 8,500 units, what should be the new selling price?

[10]

OR

- 5.a) Southern Ltd. has reported a total assets Rs.50, 00,000. The cost of debt before taxes is 9%. The risk-free rate is 7% and the beta of the firm is 1.25. The return from the market index for 2017 is 14%. The tax rate for the firm is 25%. Determine the weighted average cost of capital of Southern Ltd. under the following capital structures:
- 40% equity and 60% Debt
 - 50% equity and 50% debt
 - 70% equity and 30% debt
- b) Explain the following terms
- Preference shares
 - Earnings per share
 - Bonus Shares
 - Stock split
 - CAPM

[5+5]

6. The following information is available for the two companies, Ind Motors Ltd. and Hi-tech Motors Ltd. for the Financial Year 2016, the first year of their operation.

	(Rs. thousands)	
	Ind Motors	High-tech
Cash	13,606	7,669
Debtors	23,045	19,951
Inventory	31,087	31,345
Other Current Assets	12,522	11,909
Current Liabilities	75,230	80,280
Revenue	115,225	79,804
Cost of Goods Sold	75,000	57,700
Operating Expenses	19,250	12,200
Interest on Borrowings	500	400
Tax rate	25%	25%
Preference Dividend	400	400
No. of Equity Shares of outstanding (in thousands)	3000	3000

Determine the following ratios for the two companies and write your observations:

- Gross Profit
- Net Profit
- Earnings per share
- Times interest earned
- Working Capital

[10]

OR

7. The following transactions were reported for Mohit Corporation Ltd. for the Financial Year 2016. The Cash balance at the beginning of the year was 7,500.

- 1) Borrowed cash from the bank: 20,000
- 2) Issued shares for cash: 30,000
- 3) Invested cash in the debentures of Beta Company: 20,000
- 4) Performed services and collected cash: 21,500
- 5) Paid cash for operating expense: 12,500
- 6) Purchased equipment for cash: 15,000
- 7) Paid dividends to shareholders: 1000
- 8) Repaid the bank loan: 6,000
- 9) Paid interest on Bank Loan: 2,000
- 10) Received interest on debentures: 2,000

Required:

Classify the transactions into *operating, investing and financing* activities and determine the cash balance at the end of the year. [10]

- 8.a) TS Industrials has provided the following information.

Current level of sales: 15,000 units

Selling Price per unit: Rs.180;

Variable Cost per unit: Rs.100;

Annual Fixed Costs: Rs.8, 00,000

Required: Prepare a flexible budget showing the operating profit at the following levels of sales

- i) 10,000 units ii) 12,000 units iii) 16,000 units iv) 20,000 units

- b) Discuss the use of marginal costing in various areas of managerial decision making.[5+5]

OR

9. Explain the following concepts with suitable examples

- a) Cash Budget
- b) Contribution margin
- c) Sell or process further
- d) Angle of incidence
- e) Semi-variable costs

[10]

10. The capital structure of Innovate India Products Ltd. in book value terms is as follows

Source	Rs.million
Equity Share Capital (20 million shares of Rs.10 face value)	250
Preference Capital, 11% (600,000 shares of Rs.100 face value)	60
Retained earnings	500
Debentures, 12% (10,00,000 debentures, Rs.100 face value)	100
Term Loans, 10%	100
Total sources	1010

The next expected dividend per share is Rs.3.00. The dividend is expected to grow at the rate of 10%. The market price per share is Rs.70. Preference shares, redeemable after 10 years, currently selling for Rs.90.00 per share. Debentures redeemable after 5 years, are selling for Rs.95 per debenture. The tax rate for the company is 35%. Determine the weighted average cost of capital using book value weights. [10]

OR

11. Hyderabad Engineers Ltd. is considering two mutually exclusive projects, P and Q, which require an initial outlay of Rs.70 million each. The cash flow estimates are given below:

Year	Project A	Project B
1	15	40
2	20	35
3	30	15
4	35	10

- a) Which project is to be selected on the basis of payback period?
b) Which project is to be selected on the basis of NPV, if the discount rate is 14%?
c) Which project is to be selected on the basis of NPV, if the discount rate is 10%?

[10]

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