

R13
Code No: 811AE
JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MCA I Semester Examinations, August - 2017
ACCOUNTING AND FINANCIAL MANAGEMENT
Time: 3hrs
Max.Marks:60
Note: This question paper contains two parts A and B.

Part A is compulsory which carries 20 marks. Answer all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 8 marks and may have a, b, c as sub questions.

PART - A
5 × 4 Marks = 20

- 1.a) Explain the following accounting concepts:
 - i) the conservatism concept ii) the materiality concept. [4]
- b) What are the various sources of working capital finance? [4]
- c) Explain how investors and creditors would make use of Cash Flow Statement. [4]
- d) What is Sales budget? What is its importance to budgeting process? [4]
- e) What are the advantages and limitations of Payback period method? [4]

PART - B
5 × 8 Marks = 40

2. M/s Anurag and Co. manages the publishing business. He has come to you for help in preparing an income statement and a balance sheet for the year ended Dec.31, 2016. Several items determined as of Dec.31, 2016 are presented below. No dividends were paid this year.

All figures in Rs.'000

Equity capital	40,000	Loan payable	72,000
Reserves & surplus (31/12/2015)	12,400	Accounts payable	6,000
Advertising Expenses	2000	Land	24,000
Cash	17,000	Supplies	2,000
Rent expenses	2,400	Salary expenses	20,000
Building (net block)	1,00,000	Revenues	42,000
Interest expenses	700	Other expenses	1,300
		Accounts receivable	3,000

 a) prepare an income statement for the year ended 31st Dec.2016.

b) prepare a balance sheet as on Dec.31,2016.

[4+4]

OR

- 3.a) What is 'Double entry system of accounting'? What are its advantages?
- b) Prepare a cash book for a trader, enter the following transactions and ascertain the balance as on 7th July 2015.

2015	Rs.	2015	Rs.
July 01	Balance in hand 2,500	July 04	Paid Daut Ram by Cheque 1,000
	Balance at bank 35,000		Discount allowed 100
02	Received from "P" cheque 5,000	05	Salaries paid to staff in cash 2,000
	Discount allowed to him 250		
03	Purchased goods by cash 1,500	06	Bank withdrawal for office 5,000
		07	Purchase of chair by cheque 5,000

Show cash, bank and discount balances.

[3+5]

- 4.a) What is the importance of Financial Management to an organization?
- b) Gahlon Gearing Ltd. has a Degree of operating leverage 2 at its current production and sales level of 10,000 units. The resulting operating income figure is \$1,000.
- i) If sales are expected to increase by 20 percent from the current 10,000 unit sales position, what would be the resulting operating profit?
- ii) At the company's new sales position of 12,000 units, what is the firm's new degree of operating leverage figure? [3+5]

OR

- 5.a) The cost of specific sources of capital for Apollo Paper Mills Ltd., are as follows:
- Cost of debt = 10.00 percent
- Cost of preference = 12.00 percent
- Cost of equity = 18.00 percent
- The capital structure of the company is as follows:

Source of finance	Book value (Rs. million)	Market value (Rs. million)
Equity	50	120
Preference	10	9
Debt	80	70

Calculate the weighted average cost of capital for Apollo Paper Mills Ltd., using book value weights and market value weights.

- b) What do you understand by time value of money? [6+2]
6. A condensed balance sheet for Sheepwell Company prepared at the end of the year appears as follows:

Assets (in Rupees)		Liabilities and Shareholders' Equity (Rs.)	
Cash	55,000	Loan payable (due in 6 months)	40,000
Accounts receivable	1,55,000	Accounts payable	1,10,000
Inventory	2,70,000	Long term liabilities	3,30,000
Prepaid expenses	60,000	Equity shares, Rs.5 par	3,00,000
Plant& Equipment(net)	5,70,000	Reserves & Surplus	4,20,000
Other assets	90,000		
Total	12,00,000	total	12,00,000

During the year the company earned a gross profit of Rs. 11,16,000 on sales of Rs. 27,90,000. Accounts receivable, inventory and plant assets remained almost constant in amount throughout the year.

Compute the following:

- a) Current ratio b) Quick ratio c) working capital d) debt ratio e) accounts receivable turnover (all sales were on credit) f) inventory turnover. [8]
- OR**
- 7.a) What is Quick ratio? Under what circumstances are short-term creditors most likely to regard a company's quick ratio as more meaningful than its current ratio?
- b) Explain any four of the profitability ratios for evaluating profitability. [3+5]

- 8.a) A company making single product has the following Sales and net profit for the two half of the financial year.

Period	I half of the financial year	II half of the financial year
Sales in Rs.	8,00,000	10,00,000
Net profit in Rs.	1,00,000	1,50,000

- i) find breakeven point of production and ii) the margin of safety.
 b) What are the applications of Break even analysis? [5+3]
- OR**
9. A company has fixed expenses of Rs.90,000 with sales at Rs. 3,00,000 and a profit of Rs.60,000.
 a) Calculate the profit/volume ratio.
 b) If in the next period, the company suffered a loss of Rs.30,000 calculate the sales volume.
 c) What is the margin of safety for a profit of Rs. 60,000? [8]
10. Two investment proposals are brought before a company with an initial investment of Rs.1,20,00,000 in both the cases. The annual returns for the two proposals are as shown below:

Description	Proposal 1	Proposal 2
Return at the end of I year	Rs. 48,00,000	Rs. 56,00,000
II year	Rs. 80,00,000	Rs. 70,00,000
III year	Rs. 50,00,000	Rs. 60,00,000
IV year	Rs. 50,00,000	Rs. 40,00,000

Evaluate the two proposals on NPV basis at 12% discount and select the best one. [8]

- OR**
- 11.a) Explain the concept of 'working capital cycle' and show the break up.
 b) How are shares classified? What are their distinct features? [4+4]

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