

R13

Code No: 811AE

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD**MCA I Semester Examinations, January - 2018****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) Prepare a trial balance from the following information.

[4]

	Rs.	Rs.	Rs.
Cash	25000	Sundry Debtors	25000
Sales	75000	Equity Share Capital	120000
Sales Returns	5000	Furniture	10000
Closing Stock	45000	Land and Building	125000
Short-term Loan	10000	Outstanding Salaries	5000
Long-term Loan	25000		

- b) Amar Manufacturers Ltd reported the following results for the financial year 2016-17. Determine the operating leverage, financial leverage and combined leverage for the firm.

[4]

	Rs.
Revenue	2,30,000
Variable Cost	1,15,000
Fixed Cost	50,000
Interest	10,000

- c) What are the ratios useful to determine the long-term solvency of a company? **[4]**
- d) Harvest Industries is selling its product at a price of Rs.250 per unit. Its variable cost ratio is 65%. The annual fixed costs are Rs.2, 50,000. The company is planning to reduce the selling price to Rs.225 per unit. What will be the increase or decrease in the breakeven point? **[4]**
- e) A company wants to purchase an asset that costs Rs.250, 000. The annual Cash Flows after taxes are expected to be Rs.55, 000. The company accepts any investment which has a pay-back period of 3 years or less. Should the company buy the asset? **[4]**

PART - B
5 × 8 Marks = 40

2. The following Trial Balance is presented for Harper Corporation at the end of September 2017.

	(in Rs. Thousands)	
	Debit	Credit
Cash	20,100	
Debtors	2, 600	
Stationery	500	
Equipment	8,000	
Creditors		5,400
Advance from Customers for October Services		1,100
Paid-up Share Capital		15,300
Reserves & Surplus		9,400
	31,200	31,200

The following transactions took place during the month of October 2017 (in Rs. thousands).

- Received, 600 cash from debtors in partial settlement
- Services performed on credit during October: 7,500
- Paid Employee Salaries: 200
- Cleared 50% of the dues towards Creditors
- Customers received services and adjusted the advance paid in September.
- Stationary consumed during October: 250

Required:

Prepare Ledger Accounts and Trial Balance for the month of October 2017. [8]

OR

3. Discuss the following accounting principles with suitable examples
- Accrual Principle
 - Materiality Principle
 - Matching Principle
 - Conservatism Principle. [8]
- 4.a) Amber Solutions Ltd. has provided the following information from its financials.
 Current Dividend: Rs.5.50; Cost of Equity: 15%
 Determine the value of equity if the growth rate is i) 0% ii) 5% iii) 10%
- b) Dolphin Ltd. has reported a total assets Rs.65, 00,000. The assets are funded equally by equity and debt. The cost of debt before taxes is 8%. The risk-free rate is 8% and the beta of the firm is 1.5. The return from the market index for 2017 is 16%. The tax rate for the firm is 30%. Determine the weighted average cost of capital of Dolphin Ltd. [3+5]

OR

5. Discuss the role and importance of Finance function in a modern business organization. [8]
6. The following information is available for the two companies, Domestic Ltd. and International Ltd. for the Financial Year 2016, the first year of their operation.

	(Rs. thousands)	
	Domestic	International
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	69,135	51,873
Operating Expenses	17,284	11,971
Interest on Borrowings	450	325
Tax rate	30%	30%
Preference Dividend	250	300
No. of Equity Shares of outstanding (in thousands)	2000	2500

Determine the following ratios for the two companies:

- a) Current ratio b) Quick Ratio c) Inventory Turnover Ratio
 d) Inventory holding days e) Debtors Turnover Ratio f) Average Collection Period. [8]

OR

7. The following transactions were reported for Omega Corporation Ltd. for the Financial Year 2016. The Cash balance at the beginning of the year was 4,500.
- 1) Borrowed cash from the bank: 10,000
 - 2) Issued shares for cash: 20,000
 - 3) Invested cash in the equity shares of another company: 5,500
 - 4) Performed services and collected cash: 8,250
 - 5) Paid cash for operating expense: 2,725
 - 6) Purchased equipment for cash: 3,500
 - 7) Paid dividends to shareholders: 150
 - 8) Repaid the bank loan: 2,500.
- Required:**
 Classify the transactions into *operating, investing and financing* activities and determine the cash balance at the end of the year. [8]



8. Alpha Ltd. has provided the following information.

Current level of sales: 10,000 units

Selling Price per unit: Rs.150;

Variable Cost per unit: Rs.60;

Annual Fixed Costs: Rs.7, 00,000

Determine:

a) Break Even Point

c) Margin of Safety at current level of sales

d) No. of units to be sold to derive a profit of Rs.1, 20,000

e) Expected profit at a sales volume of 12,000 units.

[8]

OR

9. Discuss the different components of a master budget.

[8]

10. What are the different sources of long-term finance a company can use to fund its assets?

[8]

OR

11. A project requires an initial investment of Rs.12, 50,000 and has a useful life of 5 years. During this period the project is expected to generate Cash Flows of Rs.3, 00,000 per year for the first three years and Rs.3,50,000 per year for the next two years. If the cost of capital of the project is 12%, determine the NPV of the project.

[8]

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