

**MCA (Revised)****Term-End Examination****June, 2007****MCS-035 (S) : ACCOUNTING AND  
FINANCIAL MANAGEMENT***Time : 3 hours**Maximum Marks : 100**(Weightage 75%)*

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**Note :** *Question number 1 is **compulsory**. Attempt any **three** questions from the rest.*

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1. (a) Prepare Trading Account and Profit and Loss A/c of Mr. Sanyam and Balance Sheet from the following balances extracted from books for the year ending 31<sup>st</sup> March 2006 : 25

**Trial Balance of Mr. Sanyam as on  
31<sup>st</sup> March, 2006**

	Dr.	Cr.
Particulars	Amount (Rs.)	Amount (Rs.)
Cash Account	1,520	
Bank Account	17,425	
Machinery Account	10,000	
Furniture A/c	900	
Stock (1-4-2005)	4,000	
Purchase A/c	2,750	
Discount Allowed	50	
Repair A/c	100	
Cartage A/c	50	
Municipal Taxes	100	
Advertising A/c	100	
Rent A/c	150	
Salaries	300	
Bad debts A/c	500	
Capital		18,750
Bad debts recovered A/c		150
Discount Received		45
Sales		15,000
Loan @ 12% p.a.		2,000
Shyam Bros.		2,000
	37,945	37,945

Following adjustments are to be made :

- (i) Salaries Outstanding Rs. 200, Prepaid Rent Rs. 50.
  - (ii) Provide depreciation on machinery at 10%; write off furniture by 20%.
  - (iii) Interest on loan has been due for one year and remained unpaid.
  - (iv) Write off Rs. 400 which are not to be paid to Shyam Bros.
  - (v) Provide interest on capital @ 6% p.a. for full year.
  - (vi) Value of closing stock on 31.3.2006 was Rs. 8,000.
- (b) The Balance Sheets of a Petro Company for the years 1999 and 2000 are as follows :

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	1999	2000
<u>Assets</u>		
Cash Balances	50,000	60,000
Plant & Machinery	2,00,000	2,50,000
(-) Depreciation	60,000	80,000
Land	1,00,000	80,000
Inventory	1,40,000	1,20,000
Trade Debtors	75,000	1,00,000
	<u>5,05,000</u>	<u>5,30,000</u>

	1999	2000
<u>Liabilities</u>		
Share Capital	2,00,000	2,40,000
Trade Creditors	30,000	40,000
Debtors	1,50,000	90,000
Retained Earnings	1,25,000	1,60,000
	<u>5,05,000</u>	<u>5,30,000</u>

Cash dividend of Rs. 25,000 has been paid during the year. You are required to prepare cash flow statement following the indirect method.

2. What is working capital and what factors affect the size of working capital in an enterprise. Also explain the various strategies of working capital management. 20
3. (a) From the following information calculate : 10
- (i) Current ratio
  - (ii) Liquidity ratio
  - (iii) Debt-equity ratio
  - (iv) Proprietary ratio
  - (v) Solvency ratio

Paid-up capital	1,00,000	
Reserve/Surplus	84,500	
Debentures	1,00,000	
Bills Payable	6,500	
Fixed Assets		2,19,810
(- Depreciation)		
Stock		49,460
Trade debtors		11,710
Cash at Bank		26,020

(b) How is temporary cash surplus managed ? 10

4. What is treasury management ? What are the main functions and focus areas of the Treasury Department ? 20

5. (a) What benefits and costs are associated with the extension of credit ? How should they be combined to obtain an appropriate credit policy ? 10

(b) XYZ Ltd. is implementing a project with an initial capital outlay of Rs. 7,600. Its cash inflows are as follows : 10

Year	Rs.
1	6,000
2	2,000
3	1,000
4	5,000

The expected rate of return on the capital invested is 12% p.a. Calculate the discounted payback period of the project.

6. Write short notes on the following :

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- (a) Factoring
- (b) Baumol's model
- (c) Accrual concept
- (d) Economic Order Quantity