

ADCA / MCA (II Year)

Term-End Examination

June, 2008

**CS-54 : FINANCE & ACCOUNTING ON
COMPUTERS**

Time : 3 hours

Maximum Marks : 75

Note : Question number 5 is **compulsory**. Attempt any **three** questions from the rest. Question 5 is of 30 marks and the remaining questions are of 15 marks each.

1. (a) What do you understand by Management Accounting ? Why is it considered as an essential tool for management ? 9

- (b) "Anticipate no profit, provide for all possible losses." On which accounting concept is this statement based ? Explain that concept and also the continuity concept of accounting. 6

2. The following is the Trial Balance of M/s Rama Hardware for the year ending 31st December, 2007. You are required to prepare Trading Account and P&L Account and the Balance Sheet. 15

Particulars	Amount Dr (Rs.)	Amount Cr (Rs.)
Capital Account		80,000
Drawings Account	6,000	
Stock (01-01-2007)	45,000	
Purchases	2,60,000	
Sales		3,10,000
Furniture	10,000	
Sundry Debtors	40,000	
Freight & Octroi	4,600	
Trade Expenses	500	
Salary	5,500	
Rent	2,400	
Advertising	5,000	
Insurance Premium	400	
Commission		1,300
Discount	200	
Bad Debts	1,600	
Bad Debts Reserve		900
Creditors		20,000
Cash-in-Hand	5,200	
Cash-at-Bank	5,800	
Goodwill	20,000	
	4,12,200	4,12,200

Adjustments :

- (i) Stock on 31-12-07 was Rs. 53,000.
- (ii) Salary has been paid for 11 months only.
- (iii) Commission earned but not received Rs. 122.
- (iv) Bad Debts Reserve is to be 3% of debtors.
- (v) Charge depreciation on furniture @ 10%.

3. (a) "Fixed costs are variable per unit, while variable costs are fixed per unit." Explain this statement with an example. Also explain the concept of opportunity costs. 6
- (b) Shyam Brothers manufactures a product 'X'. It is estimated that for each ton of material consumed, 100 units should be produced. The standard price per ton of material is Rs. 10. During the first week of January 2008, 100 tons of materials were issued to production, the price of which was Rs. 10.50 per ton. Production during the week was 10200 units. Calculate :
- (i) Material cost variance
 - (ii) Material price variance
 - (iii) Material usage variance 9
4. (a) What is Zero Base Budgeting ? What are the advantages of zero base budgeting over the traditional budgeting ? 7
- (b) What do you understand by capital structure of a company ? What factors are to be considered while deciding the capital structure ? Explain. 8
5. (a) Bharti Company is examining a proposal for new capital investment. The data on the proposal are as follows :
- | | |
|---------------------------------|---------------|
| Net Cash Outlay | Rs. 60,000 |
| Salvage value | NIL |
| Estimated life | 6 years |
| Depreciation method | Straight line |
| Corporate income tax | 50% |
| Cut-off rate used for appraisal | 10% |
| Earnings before depreciation | |

and taxes	Rs.
1 st year	12,000
2 nd year	16,000
3 rd year	18,000
4 th year	24,000
5 th year	24,000
6 th year	20,000

You are required to calculate the Net Present Value of the proposal.

You may calculate depreciation on the original cost and also ignore income tax on the salvage value.

[Present value factors at 10% are : ·909, ·826, ·751, ·683, ·621, ·564 for the years 1 to 6 respectively] 15

(b) Write short notes on the following :

(i) Approaches to managing working capital

(ii) Cost of capital

(iii) Internal Rate of Return

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