

09004

MCA (Revised)
Term-End Examination
December, 2014

**MCS-035 : ACCOUNTANCY AND FINANCIAL
MANAGEMENT**

Time : 3 hours

Maximum Marks : 100

(Weightage 75%)

Note : Question number 1 is **compulsory** and carries 40 marks. Answer any **three** questions from the rest, which carry 20 marks each.

1. (a) The following are the details of M/s Cloud and Wind as on 31st March, 2010. You are required to prepare Profit & Loss Account for the year ended 31st March, 2010 and Balance Sheet as on that date making the necessary adjustments.

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Particulars	Amount	Particulars	Amount
Cash at bank	4,000	Sales	1,90,000
Furniture	6,000	Creditors	21,200
Opening stock	40,000	Capital	64,500
Purchases	1,55,000		
Direct expenses	5,000		
Debtors	25,000		
Indirect expenses	25,200		
Cost of advertisement	15,000		
Salesman's Commission paid	500		
Total :	2,75,700	Total :	2,75,700

Adjustments :

- (i) Closing stock as on 31.03.2010 was ₹ 25,000.
- (ii) Create 5% provision for bad and doubtful debts.
- (iii) Purchase includes chairs purchased @ ₹ 200 per chair. Out of the chairs purchased for resale, 10 chairs were taken by the proprietor for domestic use, 20 chairs were distributed as free samples, 25 chairs were donated to old age home and 5 chairs were used for business purpose. No entry was passed in the books to record these transactions.
- (iv) A sofa set purchased for office use at a cost of ₹ 18,000 was recorded as purchases.
- (v) Salesman was entitled to a commission @ 10% of net profit after charging such commission.
- (vi) Treat advertisement cost as deferred revenue expenditure and write it off over a period of three years.
- (vii) Goods of the value of ₹ 2,000 were stolen from the store room and an insurance claim of ₹ 1,200 was admitted by the insurance company.

- (b) Zenith Industries have two projects under consideration : two projects 'X' and 'Y' each costing ₹ 120 lakhs. The projects are mutually exclusive and the company is considering the question of selecting one of the two. The cash flows have been worked out for both the projects and the details are given below. 'X' has a life of 8 years and 'Y' has a life of 6 years. Both have zero salvage value at the end of their operational lives. The company is already making profits and its tax rate is 50%. The cost of capital of the company is 15%.

Net Cash flows :

(₹ in lakhs)

Year	Project X	Project Y	P.V. @ 15%
1	25	40	0.870
2	35	60	0.756
3	45	80	0.685
4	65	50	0.572
5	65	30	0.497
6	55	20	0.432
7	35	—	0.376
8	15	—	0.327

The company follows straight line method of depreciating assets. Advise the company regarding the selection of the project.

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2. Write short notes on the following : 5+5+5+5=20
- (a) Return on Capital Employed (RoCE) and Earnings per Share (EPS)
 - (b) Money Measurement concept
 - (c) Cost concept
 - (d) The concept of Conservatism
3. Discuss the concept of working capital and explain the 'Net Current Assets forecasting method' of estimating working capital requirement. 20
4. What is cash management ? Discuss the Baumol's Model used for determining optimum cash balance. 20
5. What do you understand by Receivables Management ? Explain the process of credit evaluation. 20
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