

02253

MCA (Revised)
Term-End Examination
June, 2015

**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) Following is the trial balance as on 31.03.2010 extracted from the books of Mr. Naresh, who carries on the business under the name and style of M/s Naresh & Co.

<i>Particulars</i>	<i>Amount</i> ₹	<i>Particulars</i>	<i>Amount</i> ₹
Building repair expense	3,600	Capital	1,50,000
Bad debts	2,000	Sundry creditors	43,000
Office expenses	7,000	Reserve for doubtful debts	3,000
Insurance premium	5,500	12% loan (01.05.2009)	30,000
Cash at bank as per cash book	4,200	Sales	2,25,800
Cash	1,400		
Opening stock	62,000		

Debtors	86,000		
Furniture	57,400		
Building	60,000		
Purchases	1,37,400		
Interest on loan	2,700		
Salaries	18,600		
Discount	2,800		
Carriage inward	1,200		
Total	4,51,800	Total	4,51,800

Prepare the final accounts after making the following adjustments :

- (i) Closing stock as on 31.03.2010 amounted to ₹ 40,000.
- (ii) Bank balance as per pass book amounted to ₹ 2,600, difference being on account of bank charges of ₹ 1,600 debited to customer's account by bank.
- (iii) Depreciate building by 10%. As one-third of the building was used for residential purpose, treat one-third of the depreciation and the building repair expenses as drawings.
- (iv) Depreciate furniture @ 10%. 10 steel chairs purchased on 01.04.2009 @ ₹ 200 per chair were wrongly debited to purchases.
- (v) Provision for bad and doubtful debts to be maintained at 5%.

(vi) Annual insurance premium was paid on 01.07.2009 and included ₹ 3,000 for life insurance premium.

- (b) XZY Ltd. is considering purchase of a machine in replacement of an old one. Two models viz. 'MOLIN' and 'SKODA' are offered at a price of ₹ 22.50 lakhs and ₹ 30.00 lakhs respectively. Further particulars regarding these models are given below :

(Amount in ₹ lakhs)

<i>Particulars</i>	<i>Molin</i>	<i>Skoda</i>
Economic life (years)	5	6
Scrap value at the end of the economic life	2	2.50
After tax annual cash inflows		
	Years	
	1	5.00
	2	7.50
	3	10.00
	4	9.00
	5	8.50
	6	9.50

Present value factors at 12% per annum are as follows :

Year	1	2	3	4	5	6
P.V. factors	0.893	0.797	0.712	0.636	0.567	0.507

Evaluate the two proposals under net present value method. 30+10=40

2. Write short notes on the following : $5+5+5+5=20$
- (a) Liquidity Ratios (Short-term solvency ratios)
 - (b) Business Entity Concept
 - (c) Matching Concept
 - (d) Accrual Concept
3. Discuss the concept of working capital and explain the 'Operating Cycle Method' of estimating working capital requirement. 20
4. Discuss the benefits and costs associated with the extension of credit. How should they be combined to obtain an appropriate credit policy ? 20
5. What are the objectives of inventory management ? Describe any two methods of inventory management under modern techniques. 20
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