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**ADCA / MCA (II YEAR)**

**Term-End Examination**

**December, 2010**

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

*Time : 3 hours*

*Maximum Marks : 75*

*Note : Question no.1 is compulsory and carries 30 marks.*

*Attempt any three questions from the rest.*

1. Calculate operating leverage and financial leverage under situation 1 and 2 and Financial Plan A and B respectively from the following information relating to the operations and capital structure of a company. What are the combinations of operating and financial leverage which give highest and the least value ? 10

Installed Capacity	2,000 units
Actual production and sales	50% of installed capacity
Selling price per unit	Rs. 20
Variable cost per unit	Rs. 10
Fixed Cost	
Situation 1	Rs. 4000
Situation 2	Rs. 5000

## Capital Structure Financial Plans

	A	B
	Rs.	Rs.
Equity	5,000	15,000
Debt	<u>15,000</u>	<u>5,000</u>
(Cost of debt 10%)	<u>20,000</u>	<u>20,000</u>

- (b) From the following trial balance prepare trading and profit and loss account for the year ended December 31, 2009 and the balance sheet as on that date. 20

Particulars	Dr.	Particulars	Cr
	Amount		Amount
	(Rs)		(Rs)
Salaries	10,233	Sales	66,420
Bills receivable	6,377	Capital	50,000
Investments	40,000	Provision for bad debts	2,500
Furniture	12,000	10% loan (1.7.2009)	10,000
Opening stock	4,500	Discount	400
Purchases	30,000	Creditors	9300
Debtors	20,000	Bills payable	5000
Interest on loan	400	Outstanding salary	500
Insurance premium	900	Bad debts recovered	200
Wages	4,600	Interest on investments	2000
Rent	1,510		
Bad debts	1,200		
Carriage Outwards	600		
Cash at bank	10,000		
Depreciation on furniture	2,500		
Accrued interest	1,000		
Advertisement	<u>500</u>		
Total :	<u>1,46,320</u>	Total :	<u>1,46,320</u>

**Adjustments :**

- (a) Closing stock was valued at Rs.6,000
- (b) Goods costing Rs.1000 were distributed as free samples, while goods costing Rs. 500 were taken by the proprietor for personal use.
- (c) Sundry debtors include Rs. 4000 from Mr.X and sundry creditors include Rs. 2000 due to Mr.X
- (d) Sundry debtors includes Rs.1000 due from a customer who has become insolvent and 40% is realisable from his estate.
- (e) A credit sale of Rs.2000 was not recorded in the sales book.
- (f) Debtors included a dishonoured cheque of Rs. 5000. 20% of this amount is to be provided for non-recovery of this amount.
- (g) Closing stock included goods costing Rs.1000 which were sold and recorded as sales but were not delivered to the customer.
- (h) Maintain provision for doubtful debts at 5%.

2. Explain in detail the following accounting concepts. 15

- (a) Business entity concept
- (b) Money measurement concept
- (c) Continuity concept
- (d) Cost concept

3. Write short notes on : 15
- (a) Absorption Costing
  - (b) Break even analysis
  - (c) Cost Variance
  - (d) Zero Base Budgeting
4. What is capital structure ? Discuss the features of an appropriate capital structure. 15
5. Discuss the factors affecting dividend decisions. Under what circumstances the Company should not declare a dividend in a year ? 15
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