

MCA (Revised)**Term-End Examination****June, 2011****MCS-035 : ACCOUNTING AND FINANCIAL
MANAGEMENT***Time : 3 hours**Maximum Marks : 100**(Weightage : 75%)*

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

1. The balance sheets of Bharat Machinery Ltd. as 25
on December 31, 2009 and 2010 are as follows.

Particulars	Dec. 31, 2009	Dec. 31, 2010
Assets		
Plant and Machinery	5,00,000	8,00,000
Land and Building	80,000	1,20,000
Stock	1,00,000	75,000
Sundry Debtors	1,50,000	1,60,000
Cash	20,000	20,000
	8,50,000	11,75,000
Liabilities and Capital		
Share Capital	5,00,000	7,00,000
Profit and Loss A/c	1,00,000	1,60,000
General reserve	50,000	70,000
Sundry Creditors	1,53,000	1,90,000
Bills payable	40,000	50,000
Outstanding Expenses	7,000	5,000
	8,50,000	11,75,000

Additional Information :

- (i) Depreciation of Rs. 50,000 has been charged on machinery during the year 2010.
- (ii) A piece of machinery was sold for Rs. 8,000 during the year 2010. It had cost Rs. 12,000 and depreciation of Rs. 7000 had been provided on it.

Prepare a schedule of changes in working capital and a statement showing the sources and application of funds for the year 2010.

- (b) M/s ABC Ltd. is considering setting up a new plant costing Rs. 18 lakhs. The operational and maintenance cost (excluding depreciation) are expected to be Rs. 3 lakhs. The useful life of the plant is 10 years with negligible salvage value. The rate of depreciation is 30% (written down value method). The plant will generate an income of Rs. 7 Lakhs per annum. The tax rate for the firm is 40%. 15

Calculate the net present value, internal rate of return and benefit cost ratio taking the cost of capital as 12%. The p.v. factors at 12% for year 1 to 10 are .893, .797, .712, .636, .567, .507, .452, .404, .361 and .322 respectively.

PV factors at 13% for year 1 to 10 are .885, .783, .693, .613, .543, .480, .425, .376, .333, .295 respectively.

2. Discuss the concept of working capital and explain the factors that determine the working capital needs of a firm. How is operating cycle measured ? Discuss. 20
3. Write short notes on the following : 20
- (a) Wealth maximisation
 - (b) Solvency ratios
 - (c) Periodicity concept
 - (d) Factoring services
4. Explain in detail the role and functions of treasury management. How is excess liquidity harmful to the firm ? 20
5. What are credit policy variables ? Discuss the quantitative effect of relaxing credit standards on profit. 20
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