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Roll No:

(To be filled in by the candidate)

## PSG COLLEGE OF TECHNOLOGY, COIMBATORE - 641 004 SEMESTER EXAMINATIONS, AUGUST / SEPTEMBER - 2014

MSc – SOFTWARE ENGINEERING Semester: 4
12XW41 ACCOUNTING AND FINANCIAL MANAGEMENT

Time : 3 Hours Maximum Marks: 100

## INSTRUCTIONS:

- Group I, Group II and Group III questions should be answered in the Main Answer Book.
- Ignore the box titled as "Answers for Group III" in the Main Answer Book.
- Answer ALL questions from GROUP I.
- Answer any FOUR questions from GROUP II.
- Answer any ONE question from GROUP III.

GROUP I Marks: 10 x 3 = 30

- What are the functions of Financial accounting mention atleast 5 of them.
- Under what circumstances Cash Basis of accounting in used. Explain its special features.
- Distinguish the principles used under Real account, Personal account & Nominal account.
- Give any three reasons why Bank account should be reconciled periodically.
- With a diagram explain the elements of cost and how they are combined to arrive at different levels of cost.
- What are the characteristics of a) Fixed cost b) Variable cost and c) Standard cost.
- Distinguish between Job costing & Contract costing. Give examples of industries where they are applied.
- Give the formula for calculating
  - a) Labour cost variance b) Labour Rate of Pay variance c) Labour efficiency variance
- List any five types of expenditure for which capital budgeting is required.
- Discounted cash flow method, where is it used and how it differs from ordinary cashflow method.

GROUP II Marks: 4 x 12.5 = 50

- Journalise the following transactions entered into by Gayatri & Dhansreee Co., during the month of July 2014
  - Additional capital brought in by Gayatri Rs 2,50,000 by cheque and Rs 2,50,000 by Dhansree – Rs 1,00,000 in cash & balance by cheque.
  - Sale of used machinery for Rs 1,00,000 cash received.
  - Advance paid Rs 2,00,000 by cash for purchase of Generator costing Rs. 5,00,000.
  - d) Raw materials purchased from Narayani & Co Rs 1,75,000
  - e) Cheque issued to Narayani & Co Rs 1,50,000 towards account.

Marks:  $1 \times 20 = 20$ 

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- f) Power charges paid Rs 25,000 by cash
- g) Workers salary paid Rs 90,000 through bank
- h) Goods sold to Hari Rs 3,00,000 on credit
- g) Cash sales to Lokesh Rs 75,000
- Goods returned by Hari Rs 50,000 & cheque received for balance
- Machinery maintenance expenses incurred in cash 24,000
- a) Define depreciation covering all its aspects. How is depletion & amortization different.
  - b) Calculate the written down value of machinery purchased at a cost of Rs 10,00,000, at the end of 4 years if its useful life is 10 years & scrap value is Rs 50,000, using straight line method.
  - c) What would be the written down value of the above machinery at the end of 5 years, if rate of depreciation is 15% under WDV method.
- Explain different kinds of Ratios used for Analysis such as 1) Profitability Ration
   Finance Ratios 3) Turnover Ratios. To give the formula for calculation for atleast 4 ratios in each category.
- 14. With the help of cost sheet prepared for different processes, explain the principles of process costing. Name a few industries where this method is used. Explain the concept of transfer pricing under this method.
- 15. a) Explain the terms 'Contribution' & 'Break even' using the Marginal cost Equation.
  - From the following information obtained for Smriti & Priyanka calculate the BEP in number of units & the value of sales required to earn a profit of Rs 25 lakhs,
    - Selling price per unit Rs 600
    - Variable cost per unit Rs 200
    - Fixed cost

Rs 50,00,000

What would be the profit if the company sold 25,000 units.

## GROUPIN

 Prepare a Cash Budget for the three months ending September 30, 2014 from the information given below.

a)

Sales	Material	Wage	Overheads
_c√ Rs	purchase	Rs	CRs
2	T Rs	1.	277
24,000	15,000	6,000	2,000
25,000	15,000	6,000	2,200
26,000	15,200	6,200	2,300
27,000	16,000	6,600	2,500
28,000	16,400	7,000	2,600
	24,000 25,000 26,000 27,000	Rs purchase Rs 24,000 15,000 15,200 26,000 16,000	Rs purchase Rs 24,000 15,000 6,000 25,000 15,000 6,000 26,000 15,200 6,200 27,000 16,000 6,600

b) Crédit Terms are

 Sales / Debtors 10 % sales are on cash 50% of credit sales are collected next month and the balance in the following month

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- Material 2 month Creditors
  - Wages 1/4 month
  - GO.H 1/2 month
- Cash & Bank Balance on 1st July 2014 is Rs 6000
- Other relevant information
- i) Plant & machinery will be installed in May 2014 at a cost of Rs 96,000. The monthly installment of Rs 2000 is payable from hit 2014.
  - ii) Dividend @ 5% on preference share capital of Rs 2,00,000 will be paid on 1st September 2014
- iii) Advance received for sale of vehicle Rs 9000 in August 2014
  - iv) Investment income expected in July 2014 Rs 1000
  - Income tax to be paid in September 2014 Rs 2000
- 17. a) Explain the concept of Time value of money. What do you understand from the terms - Internal Rate of Return & Cost of Capital.
  - If your are joining with a few friends and plan to set up a Software Development entity at a cost Rs 60 lakhs with a life span of 6 years & scrap value Rs. 12 lakhs what would be the pay back period if the expected profit are
    - Rs 10 lakhs year 4 Rs 12 lakhs year - 1 🧑
    - year 2 Rs 10 lakhs Rs 12 lakhs year 5
    - year 3 Rs 14 lakhs year 6 Rs 8 lakhs

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The profit figure given are before depreciation to be calculated on SLM Basis. Income tax liability will be 30% on Net profit after depreciation.

 If an alternate project is available where the profitability will be more by 10% in each year but the life span will be only 5 years. Which of the two would be preferable and 25 Why.

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