Name : ....

Roll No. : ....

Invigilator's Signature : ....

CS/B.TECH (CSE/IT/EE/CT/ICE)/SEM-7/HU-701/2012-13

2012

FINANCIAL MANAGEMENT AND ACCOUNTS

Time Allotted : 3 Hours | *Full Marks* : 70

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

GROUP – A
(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following :

10 × 1 = 10

i) Net Working Capital is the excess of

a) Current Liabilities over Current Assets

b) Current Assets over Current Liabilities

c) Fixed Assets over Current Assets

d) none of these.

ii) The ideal standard Current Ratio is

a) 3 : 2

b) 1 : 1

c) 2 : 1

d) none of these.

iii) A budget consists of a series of budgets for a different levels of activity is known as

a) fixed budget b) flexible budget

c) master budget d) sales budget.

iv) Journal is a book of

a) Original Enry

b) Primary Entry

c) Final Entry

d) Secondary Entry.

v) Which one is the right Accounting Equation ?

a) Assets – Liabilities = Capital

b) Assets + Liabilities = Capital

c) Assets + capital = Liabilities

d) None of these.

vi) The Trial Balance checks

a) Arithmetical accuracy of books

b) the dishonesty of book-keeper

c) the valuation of closing stock

d) the valuation of opening stock.

vii) Break-Even point indicates

a) Total Sales = Variable cost

b) Total Sales = Fixed cost

c) Total Sales = Total cost

d) Fixed Cost = Variable cost.

viii) A large angle of incidence indicates

a) a low rate of profit

b) a high rate of profit

c) profit equals to loss

d) no profit, no loss.

ix) Which of the following is not a Debt Capital ?

a) Debenture

b) Loan from a Financial Institution

c) Preference share capital

d) Long term loan.

x) Margin of Safety means

a) BEP sales – Actal sales

b) Actual sales – BEP sales

c) Budgeted sales – BEP sales

d) BEP sales – Budgeted sales.

xi) Which of the following assets does not depreciate ?

a) Machinery b) Building

c) Land d) Raw material.

xii) Prime Costs include

a) Direct material b) Direct Labour

c) Direct expenses d) All of these.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. $3 \times 5 = 15$

2. Journalise the following Transactions during month of April, 2005 :

   Date :

1. 4. 2005	Goods purchased from Manisha Rs. 36,000
3. 4. 2005	Sold goods of Nidhi Rs. 14,000
9. 4. 2005	Cash withdrawn for household purpose Rs. 5,000
9. 4. 2005	Telephone bill paid by cheque Rs. 3,000
17. 4. 2005	Interest received Rs. 1,200.

3. What do you mean by Budgetary control ? State its main advantages and major disadvantages.

4. You are given the following information relating to a product :

   Sales price p.u. — Rs. 10

   Variable cost p.u. — Rs. 6

   Total fixed cost — Rs. 40,000.

   Find out :

   i) Number of units to be produced to reach BEP.

   ii) Number of units to be produced and sold in order to earn a profit of Rs. 10,000.

5. What are the errors not detected by a Trial Balance ?

6. What do you mean by Flexible Budget ? What are its advantages ?

GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following. $3 \times 15 = 45$

7. The following is the Trial Balance of 'SREEMA MEDICAL STORES' as on 31. 03. 2012. You are required to prepare Trading and Profit & Loss Account for the year ended 31st March, 2012 and also Balance Sheet as on that date after making the following adjustments :

Trial Balance as on 31. 03. 2012

Debit Balance	***Rs.***	***Credit Balance***	***Rs.***
Purchases	30,000	Interest Earned	800
Debtors	40,000	Sales	64,200
Salaries	6,000	Purchase Return	1,000
Wages	5,400	Creditors	24,000
Rent	3,000	Capital	20,000
Sales Return	2,000	Provision for Bad Debt	1,200
Drawings	4,800	Provision for Depreciation	400
Printing & Stationery	1,600		
Insurance	2,400		
Opening Stock	10,000		
Office Expenses	2,400		
Furniture & Fittings	4,000		
	1,11,600		1,11,600

Additional Information :

a) Depreciate Furniture & Fittings by 10% on original cost.

b) Make a Provision for Doubtful debts to 5% on Debtors.

c) Insurance is Prepaid to the extend of Rs. 200.

d) Office Expenses is outstanding to the extent of Rs. 800.

e) Stock valued at Rs. 600 was taken by the proprietor Mr. Turan Dasgupta for his personal use, the cost of which has not been adjusted in the Books of Accounts.

f) Closing stock was valued at Rs. 12,000. 5 + 5 + 5

8. a) What is the margin of Safety ? What points should you consider for improvement of Margin of Safety ? 5

b) The Sales and Profit during the two periods are given below :

Year	***Sales***	***Profits***
2010	40,00,000	4,00,000
2011	60,00,000	8,00,000

Calculate :

i) P/V ratio

ii) Fixed Cost

iii) Break-Even Point

iv) Sales to earn a profit of Rs. 10,00,000

v) Profit when sale is Rs. 80,00,000. 10

9. M/s L. & Co. has Rs. 2,00,000 to invest. The following proposals are under consideration. The cost of capital for the company is estimated to be 15% :

Project	*Initial outlay* (*Rs.*)	*Annual Cash* (*Rs.*)	*Life of Project* (*Years*)
A	1,00,000	25,000	10
B	70,000	20,000	8
C	30,000	6,000	20
D	50,000	15,000	10
E	50,000	12,000	20

Rank the above projects on the basis of (i) NPV method, and (ii) Profitability Index Method.

Present Value of annuity of Re. 1 in steady stream discounted @ 15% :

8 years = 4.6586 ; 10 years = 5.1790 ; 20 years = 6.3345

10. Assume that an engineering firm has applied for working capital finance from a commercial bank. You are requested by the bank to prepare an estimate of the working capital requirements of the firm. You may add 10% to your estimated figure to account for exigencies. The following is the firm's projected Profit & Loss Account :

		Rs.
i)	Sales	22,47,000
ii)	Cost of Goods Sold	16,37,100
iii)	Gross Profit [(i) – (ii)]	6,09,900
iv)	Administrative Expenses	1,49,800
v)	Selling Expenses	1,39,100
vi)	Profit [(iii) – ((iv) + (v))]	3,21,000

The cost of goods sold (COGS) is calculated as follows :

	Rs.
Material used	8,98,800
Wages and other mfg. expenses	6,68,750
Depreciation	2,51,450
	18,19,000
Less : Stock of Finished Goods	
(10% product not yet sold)	1,81,900
Cost of goods sold	16,37,100

There is no work-in-progress. The firm has a policy of keeping two months consumption of material in stock. All expenses are paid one month arrear. Supplier of materials grant one and half month's credit. Goods are sold on 2 month's credit.

11. a) Distinguish between NPV and IRR methods of evaluation of investment project.

b) Explain the situations when NPV and IRR give contradictory results.

c) Explain the reasons of such contradiction. 4 + 8 + 3