

2007 INDIRA GANDHI NATIONAL OPEN UNIVERSITY (IGNOU) M.C.A

MCA (REVISED)
TERM - END EXAMINATION

ACCOUNTING AND FINANCIAL MANAGEMENT

June, 2006
MCS - 035

Time : 3 hour
Marks : 100

1. (a) From the following Trial Balance, prepare a Trading ' Account, Profit and Loss Account for the year ended 31.12.2005 and a Balance Sheet as on that date : (30)

Dr. Rs. Cr. Rs.

Investments 1,800 Sales 75,000
Plant and Machinery 6,000 Discount on purchases 1,200
cash 600 for bad debts 1,500
Sundry debtors 10,500 Capital 15,000
stock 28,800 Sundry creditors 6,990
Wages 9,600 Bills payable 3,500
Railway charges 1,500 State Bank A/c 1,200
Purchases 36,000
Return inward 300
Income tax 150
Insurance 1,500
Discount on sales 1,500
Repairs to plant 480
Travelling expense 1,500
Rent paid 600
Interest on overdraft 60
Drawings 1,500
Advance(Dr) 2,000

Total: 1, 04, 390 Total: 1, 04, 390

Adjustments:

- (i) Closing stock Rs. 10,500.
- (ii) Wages outstanding R s. 900.
- (iii) Rent is payable @ Rs. 60 per month.
- (iv) Commission earned but not received Rs. 1,000.
- (v) Write off bad debts Rs. 800 and adjust the provisions for doubtful debts at 5%.
- (vi) Depreciate plant at 10% p.a.
- (vii) Interest on capital at 5%o p.a.
- (viii) The proprietor introduced an extra Rs. 1,000 capital on 1st December.
- (ix) Prepaid insurance amounted to Rs. 500.

(b) Shree Pipes Ltd. uses about 75,000 valves per year and the usage is fairly constant at 6250 per month. The valves cost Rs. 1.50 per unit when bought in quantities and the carrying cost is estimated to be 20o/o of average inventory investment on annual basis. The cost to place an order and process the delivery is Rs. 18. It takes 45 days to receive delivery from the date of an order and a safety stock of 3,200 valves is desired. You are required to determine: [10]

- (i) The most economical order quantity and frequency of orders.
- (ii) The order point.

(iii) The most economical order quantity if the valves cost Rs. 4.50 each instead of Rs. 1'50 each.

2. Explain the meaning and significance of the following accounting concepts, giving suitable examples for each: [20]

- (i) Business entity
- (ii) Money measurement
- (iii) Continuity
- (iv) Cost

3. (a) Explain the concept of agency relationship, and elaborate on the problems and cost associated with it. [10]

(b) Briefly explain the various evaluation criteria used for evaluating capital projects. [10]

4. What are the various sources of working capital? Explain giving suitable examples. [20]

5. Highlight the main components of a credit policy. Briefly discuss the different credit policy variables giving examples of each. [20]

6. What is treasury management? What are the main functions and focus areas of the treasury department? [20]

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