

## ACCOUNTING AND FINANCIAL MANAGEMENT

**Maximum: 50 Marks**

(5 x 1 = 5)

- 1 Journal is a ----- record  
a) Monthly                      b) Daily                      c) Weekly                      d) Yearly
- 2 ----- Account is prepared in order to calculate the net profit or net loss of the Business.  
a) Trading                      b) Profit & Loss  
c) Capital                      d) Sales
- 3 The basic objective of financial management is ----  
a) Maximisation of profits  
b) Maximisation of shareholder's wealth  
c) Ensuring financial discipline in the organization  
d) Profit planning
- 4 The return after the pay-off period is not considered in case of -----  
a) Pay-back period                      b) Internal Rate of return  
c) Net present value                      d) Return on Investment
- 5 ----- involves balancing the cost of carrying receivables and the loss of sales due to a tight credit policy.  
a) Management of cash                      b) Management of receivables  
c) Permanent working capital                      d) Dividend

(5 × 3 = 15)

- 6.a. Journalize the following:  
Jan.15.Ajit drew Rs.200 for personal use.  
Jan.24. Ajit drew a cheque for Rs.300 for personal use.  
Jan.30. Ajit the proprietor of a hotel took Rs. 400 worth goods for his household use.  
Jan. 31. Paid for rent Rs. 500.
- (OR)
- 6.b. Journalise the following transactions on 2007 March  
1 X brings cash of Rs. 95,000, goods worth Rs. 10,000 and buildings to Rs. 25,000 as capital.  
2 Old buildings sold for Rs. 10,000  
3 Goods taken for Personal use by proprietor for Rs. 2,000  
4 Rent received amounted to Rs.3,000  
5 Deposited into bank Rs. 50,000  
6 Purchased furniture for Rs.5,000 and buildings for Rs. 40,000 and paid by cheque.

(OR)

- 7.a. From the following balances extracted at the close of the year ended 31<sup>st</sup> December, 1996. Prepare profit and loss account of mr.raj as at that date:

| Particulars             | Amount (Rs) | Particulars           | Amount (Rs) |
|-------------------------|-------------|-----------------------|-------------|
| Gross profit            | 55,000      | Carriage on sales     | 500         |
| Office rent             | 500         | General expenses      | 900         |
| Discount to customers   | 360         | Interest from bank    | 200         |
| Travelling expenses     | 700         | Salaries              | 900         |
| Commission              | 300         | Repairs               | 500         |
| Telephone Expenses      | 520         | Interest (Dr)         | 480         |
| Fire insurance premium  | 900         | Bad debts.            | 2,100       |
| Apprentice premium(cr.) | 1,500       | Printing & Stationery | 2,500       |
| Trade Expenses          | 300         |                       |             |

(OR)

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7.b. From the following information prepare a trading account

| Particulars      | Amount (Rs.) |
|------------------|--------------|
| Opening stock    | 20,000       |
| Purchases        | 30,000       |
| Sales            | 80,000       |
| Carriage inwards | 5,000        |
| Wages            | 20,000       |
| Closing stock    | 30,000       |

8.a. What is Profit maximization?

(OR)

8.b. What is finance function? Explain its scope.

9.a. A project costs Rs. 50,000 and yields an annual cash inflow of Rs. 10,000 for 4years. Calculate its pay-back period.

(OR)

9.b. Give the advantages of NPV.

10.a. Explain the concept of working capital.

(OR)

10.b. Mr. Jai wants to buy a business and seeks your help to calculate working capital requirements in the first year of trading. The following information are given and you are asked to add 10% for contingencies:

- Average amount of locked up on stock:
 

|  |           |
|--|-----------|
| Stock of finished product and work in progress | Rs. 2,500 |
| Stock of stores, materials                     | Rs. 4,000 |
  - Average credit given to customers:
 

|                                |             |
|--------------------------------|-------------|
| Local sales – 2 weeks credit   | Rs. 39,000  |
| Outside sales - 6 weeks credit | Rs.1,56,000 |
  - Time allowed by supplier for payment of wages - 4 weeks Rs. 48,000
  - Time available for payment of wages – 2 weeks Rs.1,30,000
- Prepare a statement showing the working capital requirement.

**SECTION -C (30 Marks)**

Answer ALL questions

ALL questions carry EQUAL Marks

(5 × 6 = 30)

Journalise the following transactions in the books of Balan in the year 2019 Dec

| Date |   |             |
|------|---|-------------|
| 1    | Balan commenced business with a capital | Rs.1,00,000 |
| 3    | bought goods for cash                   | Rs.60,000   |
| 4    | sold goods for cash                     | Rs.50,000   |
| 5    | deposited in to bank                    | Rs.40,000   |
| 6    | bought goods from Ravi                  | Rs.30,000   |
| 7    | purchased furniture for cash            | Rs.4,000    |
| 8    | sold goods to Nathan                    | Rs.40,000   |
| 9    | paid cash to Seenu                      | Rs.10,000   |
| 10   | Nathan returned goods worth             | Rs.2,000    |
| 11   | paid advertisement charges              | Rs.4,000    |
| 12   | returned goods to Ravi                  | Rs.3,000    |
| 13   | withdraw cash from bank                 | Rs.10,000   |
| 15   | purchase a bicycle for office use       | Rs.3,000    |
| 16   | received commission                     | Rs.1,000    |
| 18   | purchase stationary                     | Rs.1,000    |
| 20   | paid electricity charges                | Rs. 600     |
| 21   | paid insurance premium                  | Rs.1,000    |
| 25   | interest received                       | Rs. 300     |
| 30   | paid rent                               | Rs. 1,200   |
| 30   | Paid salaries                           | Rs. 9,600   |

(OR)

11.b. Post the following transactions to ledger accounts on May 2003.

| Date | Particulars                      | Amount (Rs.) |
|------|----------------------------------|--------------|
| 1    | Ram commenced business with cash | 6,000        |
|      | Goods                            | 3,000        |
|      | and building                     | 8,000        |
| 5    | Sold goods for cash              | 700          |
| 7    | Sold goods to Mani               | 640          |
| 10   | Cash Purchase                    | 2,000        |

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- 12.a. Prepare Trading and profit and loss Account from the information given below:

| Particulars           | Amount (Rs) | Particulars           | Amount (Rs) |
|-----------------------|-------------|-----------------------|-------------|
| Opening stock         | 3,600       | Purchases             | 18,260      |
| Wages                 | 3,620       | Closing stock         | 4,420       |
| Sales                 | 32,000      | Carriage on purchases | 500         |
| Carriage on sales     | 400         | Rent (Factory)        | 400         |
| Rent (Office)         | 500         | Sales returns         | 700         |
| Purchase returns      | 900         | General expenses      | 900         |
| Discount to customers | 360         | Interest from bank    | 200         |

(OR)

- 12.b. Enter the following transactions on R's Cash book with discount and cash columns.

| 2019 Jan | particulars                            | Amt    |
|----------|--|--------|
| 1        | Cash balance                           | 18,500 |
| 2        | Cash sales                             | 33,000 |
| 7        | Paid david                             | 15,850 |
|          | discount allowed by him                | 150    |
| 13       | Sold goods to Manohar on Credit        | 19,200 |
| 15       | Cash withdrawn for personal expenses   | 2400   |
| 16       | Purchased goods form Charles on credit | 14,300 |
| 22       | Paid into Bank                         | 22,750 |
| 25       | Cash Received form Manohar             | 19,000 |
|          | Allowed him discount                   | 200    |
| 26       | Drew a cheque for office use           | 17,500 |
| 27       | Paid cash to saravanan                 | 2950   |
|          | Discount received from him             | 50     |
| 28       | Paid cash to Charles Less discount     | 14,200 |
| 29       | Cash Purchases                         | 13,500 |
| 30       | Paid for advertising                   | 600    |
| 31       | Paid salaries                          | 12,000 |

- 13.a. Describe the various objectives of financial management.

(OR)

- 13.b. What is financial decision? Explain its types.

- 14.a. Briefly explain the various techniques of capital budgeting.

(OR)

- 14.b. A project requires an investment of Rs. 5,00,000 and has a scrap value of Rs. 20,000 after five years. It is expected to yield profits after depreciation and taxes during the five years amounting to Rs. 40,000, Rs. 60,000, Rs. 50,000 and Rs.20,000. Calculate the average rate of return on the investment.

- 15.a. From the following information, extracted from the books of a manufacturing company. Compute the operating cycle in days and the amount of working capital required:

| Particulars                                   | Amount (Rs.)  |
|---|---------------|
| Period covered                                | 365 days      |
| Average period of credit allowed by suppliers | 16 days       |
|   | (Rs. in '000) |
| Average total of debtors outstanding          | 480           |
| Raw material consumption                      | 4,400         |
| Total production cost                         | 10,000        |
| Total cost of sales                           | 10,500        |
| Sales for the year                            | 16,000        |
| Value of average stock maintained:            |               |
| Raw material                                  | 320           |
| Work-in-progress                              | 350           |
| Finished goods                                | 260           |

(OR)

- 15.b. Prepare an estimate of working capital requirement from the following information of a trading concern:

| Particulars  |                 |
|--|-----------------|
| 1. Project annual sales                                | 2,00,000 units  |
| 2. Selling price                                       | Rs. 16 per unit |
| 3. % age of net profit on sales                        | 50%             |
| 4. Average credit period allowed to customers          | 16 weeks        |
| 5. Average credit period allowed by suppliers          | 8 weeks         |
| 6. Average stock holding in terms of sales requirement | 24 weeks        |
| 7. Allow 20% for contingencies.                        |                 |

