Name : .....

Roll No. : .....

Invigilator's Signature : .....

CS/B.Tech (CSE, IT, EE(O+N), EIE(O), CT, ICE/SEM-7/HU-701/2009-10

2009

FINANCIAL MANAGEMENT & 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 : $10 \times 1 = 10$

   i) Which of the following is considered as current asset ?

      a) Stock of Raw Meterials

      b) Stock of Finished Products

      c) Both of these

      d) None of these.

   ii) Which of the following is called a Revenue Expenditure ?

      a) Purchase of a Machine by cheque

      b) Purchase of Stationery items for office use on credit

      c) Purchase of shares of another company through bank

      d) Purchase of Office Furniture by cash.

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iii) Which of the following expenses is not considered in Trading Account ?

a) Wages b) Carriage inward

c) Trade expenses d) Import duty.

iv) On which of the following assets depreciation is not charged ?

a) Building on a freehold land

b) Freedhold land

c) Books & periodicals

d) Office vehicles.

v) Purchase of trade items on credit for reselling should be recorded in

a) Sales day book b) Journal proper

c) Cash book d) none of these.

vi) The adjustment to be made for income received in advance is

a) add income received in advance to respective income and show it as a liability

b) deduct income received in advance from respective income and show it as a liability

c) add income received in advance to respective income and show it as asset

d) deduct income received in advance from respective income and show it as a liability.

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vii) The adjustment to be made for interest on drawings is

a) debit profit and loss account and add interest to drawings

b) credit profit and loss account and add interest to drawings

c) debit profit and loss account and deduct interest from drawings

d) credit profit and loss account and deduct interest from drawings.

viii) Gross profit is equal to

a) net profit minus expenses

b) purchases plus stock minus net sales

c) net sales plus selling price of stock minus purchases

d) net sales minus cost price of sales.

ix) The double entry in the books for the annual amount of depreciation of an asset is

a) debit the profit and loss account, credit the asset account

b) credit the profit and loss account, debit the asset account

c) debit the bank account, credit the asset account

d) credit the bank account, debit the asset account.

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x) To the cost of production, we add the sales & distribution overheads to obtain

a) full costs b) total costs

c) cost of sales d) marginal costs.

xi) Selling expenses are shown in

a) Trading a/c

b) Profit and loss a/c

c) Profit and loss appropriation a/c

d) Manufacturing a/c.

xii) Current liabilities are such obligations which are to be satisfied within

a) one calendar year b) two years

c) three years d) one financial year.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. 3 ∞ 5 = 15

2. Define working capital. Discuss the components of working capital with examples.

3. A factory requires 1500 units of an item per month each costing Rs. 27. The cost per order is Rs. 150 and the inventory carrying charges work out to 20% of the average inventory. Find out the Economic Ordering Quantity and the number of orders per year.

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4. Discuss the objectives of financial management.

5. What is 'Double Entry System' of accounting ? Why is it called 'Accounting from complete books' ?

6. Discuss merits and demerits of 'profit maximisation' and 'wealth maximisation' as objectives of finanacial management.

GROUP – C
(Long Answer Type Questions)

Answer any *three* of the following. 3 ∞ 15 = 45

7. You are given following estimates and are instructed to estimate working capital requirement after adding 10% to your computed figure to allow for contingencies :

Particulars	***Amount for the year (Rs.)***
Average amount backed up for stocks :	
■ Stock of finished product	5,000
■ Stock of raw material	8,000
Average credit given to customers :	
■ Inland sale, 6 weeks credit	3,12,000
■ Export sales, 1·5 weeks credit	78,000
Average time lag in payment of wages and other outgoings :	
■ Wages, 1·5 weeks	2,60,000
■ Raw materials, 1·5 months	48,000
■ Rent, 6 months	10,000
■ Salary of clerical staff, 0·5 month	62,400
■ Salary of manager, 0·5 month	4,800
■ Miscl. Expenses, 1·5 months	48,000
Payment in advance :	
■ Sundry expenses, paid quarterly in advance	8,000

Consider a time period of 52 weeks/12 months for a year.

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8. a) Discuss the factors affectng Accounts Receivable.

   b) What do you understand by 'Average Collection Period ?

   c) Discuss the different motives for holding cash.

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9. a) Explain the concept of CVP analysis with any simple example.

   b) Discuss the concept of budget. Write the advantages of budgetary control and its limitations.

10. Write short notes on any *three* of the following : 3 ∞ 5

    a) Break-even analysis

    b) Ratio analysis

    c) Margin of safety

    d) Time value of money

    e) Annuity.

11. The following trial balance has been extracted from the books of M/s. Ronrim Ltd. as on 31.03.2009. You are required to prepare —

    a) Trading and profit & loss account for the year ended 31.03.2009.

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b) Balance sheet as on same date.

Trial Balance as on 31.03.2009

Particulars	***Amount (Rs.)***	***Amount (Rs.)***
Capital a/c (1.4.2008)		30,000
Drawings	5,000	
Furniture & fixture	2,600	
Bank overdraft		4,200
Creditors		13,800
Business premises	20,000	
Stock (1.4.2008)	22,000	
Debtors	18,000	
Rent received from tenants		1,000
Purchases	1,10,000	
Sales		1,50,000
Sales returns	2,000	
Discount allowed	1,600	
Discount received		2,000
Taxes & insurances	2,000	
General Expenses	4,000	
Salaries	9,000	
Commission paid	2,200	
Carriage on purchase	1,800	
Bad debt	800	
	2,01,000	**2,01,000**

Following adjustments are there :

i) Stock in hand on 31st March, 2009 was Rs. 20,060

ii) Depreciation — Business promises by Rs. 300 and furniture & fixture by Rs. 260.

iii) 5% on Debtors for doubtful debts.

iv) Interest on capital @5%.

v) Unexpired insurance Rs. 200.

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