B3.E7-R5 : ACCOUNTANCY AND FINANCIAL MANAGEMENT

Note :
1. Answer question **1** and any **FOUR** questions from **2** to **7**.
2. Parts of the same question should be answered together and in the same sequence.

Total Time : 3 Hours **Total Marks : 100**

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1. (a) Pass necessary journal entries to rectify the following errors :

(i) An amount Rs. 2,00,000 withdrawn by owner for personal use was debited to trade expenses.

(ii) Purchase of goods of Rs. 3,00,000 from Nathan was wrongly entered in sales book.

(iii) A credit sales of Rs. 1,00,000 to Sanatan was wrongly passed through purchase book.

(iv) Rs. 1,50,000 received from Dhoni was credited to Kohil.

(b) Briefly explain any four functions of Accounting.

(c) What are the motives for holding cash in a firm ?

(d) Explain the objectives of "Accounting Standards".

(e) Explain any two inventory control techniques.

(f) Write any two moral dimensions which a finance manager should always follow in managing finances of a company.

(g) Define Job Costing and how is it different from Process Costing.

[7x4]

2. (a) From the following particulars presented by Mr. P for the year ended 31st March 2023, prepare Profit and Loss Account after taking into consideration the given details :

Particulars	Amount (Rs.)
Gross Profits	1,00,000
Rent	22,000
Salaries	10,000
Commission (Cr.)	12,000
Insurance	8,000
Interest (Cr.)	6,000
Bad Debts	2,000
Provision for Bad debts (01.04.2022)	4,000
Sundry Debtors	40,000
Discount Received	2,000
Plant & Machinery	80,000

Adjustments :
(i) Outstanding salaries amounted to Rs. 4,000
(ii) Rent paid for 11 months
(iii) Interest due but not received amounted to Rs. 2,000
(iv) Prepaid Insurance amounted to Rs. 2,000
(v) Depreciate Plant and Machinery by 10% p.a.
(vi) Further Bad Debts amounted to Rs. 2,000 and make a provision for Bad Debts @ 5% on Sundry Debtors.
(vii) Commissions received in advance amounted to Rs. 2,000.

(b) State whether following statements are true or false with justification :
(i) Agreement of Trial balance is a conclusive proof of accuracy.
(ii) At the end of accounting year, all the nominal accounts of the ledger book are balanced.
(iii) In accounting equation approach, equity + Long-term liabilities = fixed asset + current assets - current liabilities.
(iv) Requirements for additional disclosures is limitation of accounting standards.
(v) A contingent liability need not be disclosed in the financial statements.
(vi) Expenditure incurred for major repair of the asset so as to increase its productive capacity is Revenue in nature.

[12+6]

3. (a) K Ltd. find that its opening bank balance of Rs. 1,80,000 as on April 2022 has been converted into an overdraft of Rs. 75,000 by the end of the year. From the following information below, prepare a statement to show how this is happened.

Particulars	Year beginning (Rs.)	Year end (Rs.)
Fixed Assets	7,50,000	11,20,000
Stock in Trade	1,90,000	3,30,000
Book Debts	1,90,000	3,30,000
Trade Creditors	2,70,000	3,50,000
Share Capital	2,50,000	3,00,000
Share Premium	-	25,000
Bills receivable	87,500	95,000

The profit before depreciation and income tax was Rs. 2,40,000. During the year, income tax to the extent of Rs. 1,37,000 was paid.

Dividend paid were : (i) Final on the capital as on April 1, 2022 @ 10%
(ii) Interim @ 15% on the year end capital.

(b) What do you understand by treasury management ? What are its main objectives ?
(c) Distinction between Money Measurement concept and Matching Concept.

[10+4+4]

4. (a) A Glass Manufacturing Company requires you to prepare the Master budget for the next year from the following information :

Sales :

Toughened Glass	Rs. 6,00,000
Bent Glass	Rs. 2,00,000
Direct Material cost	60% of sales
Direct Wages	20 workers @ Rs. 150 per month

Factory overheads :

Indirect labour -	
Works manager	Rs. 500 per month
Foreman	Rs. 400 per month
Stores and spares	2.5% on sales
Depreciation on machinery	Rs. 12,600
Light & power	Rs. 3,000
Repair & maintenance	Rs. 8,000
Other Sundries	10% on direct wages
Administration, selling & distribution expenses	Rs. 36,000 per year

(b) What ethical, social and political issues are raised by information systems ?

(c) Discuss any two tool/techniques of Portfolio Management.

[10+4+4]

5. (a) A Company manufactured a special product which requires a component "Gama". The following particulars are collected for the year 2021-22 :

(i)	Annual demand of Gama	8000 units
(ii)	Cost of placing an order	Rs. 200 per order
(iii)	Cost per unit of Gama	Rs. 400
(iv)	Carrying cost p.a.	20%

The company has been offered a quantity discount of 4% on the purchase of "Gama" provided order size 4000 components at a time.

Required :

(i) Compute the economic order quantity.

(ii) State whether the quantity discount offer can be accepted.

(b) XYZ Corporation is considering relaxing its present credit policy and is in the process of evaluating two proposed policies. Currently, the firm has annual credit sales of Rs. 50 lakhs and accounts receivable turnover ratio of 4 times a year. The current level of loss due to bad debts is Rs. 1,50,000. The firm is required to give a return of 25% on the investment in new accounts receivables. The company's variable costs are 70% of the selling price. Given the following information, IDENTIFY which is the better option ?

Particulars	Present Policy	Policy Option I	Policy Option II
Annual credit sales	50,00,000	60,00,000	67,50,000
Account receivable turnover ratio	4 times	3 times	2.4 times
Bad debts	1,50,000	3,00,000	4,50,000

(c) Discuss any method of determining optimum cash balance in a firm

[7+8+3]

6. (a) Your client is holding the following securities :

Particulars of Securities	Cost	Dividends	Market Price	BETA
Equity Shares :				
Biker	8,000	800	8,200	0.8
Yugabyte	10,000	800	10,500	0.7
Fooder	16,000	800	22,000	0.5
PSU Bonds	34,000	3400	32,300	0.2

Assuming a Risk-free rate of 15% and the market rate of return is 15.88%, calculate :
- Expected rate of return in each, using the Capital Asset Pricing Model (CAPM)
- Simple Average return of the portfolio.

[12]

(b) Identify the types of Risk from the following statements :
(i) Xerox which invented photocopy machine. When laser printing was developed, Xerox was quick to lap up this opportunity and changes its business model to develop laser printing. So it survived and escalated its profits further.
(ii) XYZ Company pursuing cement business likely to venture into sugar business in a different state but laws applicable to the sugar mills in that state are different. If the company fails to comply with the laws related to a new area or industry or sector, it will pose a serious threat to its survival.
(iii) Mr. Karan manufacturer of Mask, he received advance Rs. 5,00,000 to delivery 1,00,000 mask to M/s. Dr Dang Lab on 31st January 2023 but unfortunately not deliver the masks to party on promised date.
(iv) M/s. X & Y running a courier business and taken business loan from Bank of Baroda with 12% rate of interest on floating basis. But after one month Bank of Baroda increases 0.5% interest due to increases interest rate by RBI.
(v) Mega an Indian importer who has the liability to pay bill in US$ after one month from the date of contract but after one month Indian rupee depreciates.
(vi) The recent market price of Nyka share tumble due to unexpected resignation of company Chief Financial Officer.

[6]

7. (a) Trigun purchased 100 Shares of Orient Grenet Ltd. four years ago at Rs. 500 each. The rate of brokerage was 1% on both purchase and sale.The Company paid the following dividends :

Particulars	Year 1	Year 2	Year 3	Year 4
Dividend per share (Rs.)	2	2	2.5	3

The current price of the share is Rs. 600. If he sells the shares now, you are required calculate :
(i) Capital appreciation
(ii) Profit earned
(iii) Holding period return
(iv) Annualised return
(b) Who are the users of accounting information ?
(c) Explain important objectives of portfolio management.
(d) What is the difference between Right to Know and Right to Information as per Right to Information Act ?

[8+4+4+2]

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