Sl. No.

BE9-R4 : ACCOUNTING AND FINANCIAL MANAGEMENT SYSTEM

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.

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

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1. (a) Make necessary Journal entries for the following transactions :

(i) The firm has deposited Rs. 50,000/- cash into its current Account in a Bank.

(ii) The firm was supposed to collect Rs. 25,000/- from X Ltd. which remained unpaid for a long-time. Finally, it was decided that X Ltd. would pay Rs. 10,000/- as full and final payment. The firm received Rs. 10,000/- as cash.

(iii) Goods worth Rs. 5,000/- sold A Ltd. on 3 months credit.

(iv) Salaries are paid - Rs. 12,000/-

(b) Distinguish between Profit and Loss Account and Balance sheet.

(c) Distinguish between Capital expenditure and Revenue expenditure.

(d) Mention Cost units / Cost object of the following industries or products.

(i) Automobile

(ii) Power - Electricity

(iii) Hospital

(iv) Transport

(e) Batua Ltd is expecting an annual EBIT Rs. 1,00,000. The company has Rs. 4,00,000 in 10% debentures. The cost of equity capital or the capitalisation rate is 12.5%. You are required to calculate the total value of the firm. Assume that the company is exempted from tax.

(f) PSR Limited's shares are currently selling at Rs. 13 per share. There are 10,00,000 shares outstanding. The company is planning to raise Rs. 20 lakhs to finance a new project. Required to calculate the ex-right price of shares and value of the right if the company offers one right shares of every two shares held.

(g) Why is debt a cheaper source of finance than equity ?

(7x4)

2. (a) Following are the ratios to the trading activities of EV Bikes Products Traders:-

Debtors Velocity	3 months
Stock Velocity	8 months
Creditors' velocity	2 months
Gross Profit Ratio	25 percent

Gross Profit for the year ended 31st March, 2022 amounts to Rs. 4,00,000. Closing stock of the year is Rs. 10,000 above the opening stock. Bills receivable amount to Rs. 25,000 and Bills payable to Rs. 10,000.

Find out : (i) Sales (ii) Sundry Debtors
(iii) Closing stock (iv) Sundry Creditors

(b) Explain the five benefits of cash flow statements.

(c) Define the following terms :

(i) Assests

(ii) Liabilities

(iii) Net Worth

(iv) Current Assets

(v) Capital **(8+5+5)**

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

(i) An amount Rs. 20,000 withdrawn by the owner for personal use was debited to trade expenses.

(ii) Amount Rs. 8,000 received as interest was credited to commission.

(iii) Rs. 37,500 paid as salary to cashier Debabrat was debited to his personal A/c.

(iv) Purchased of goods Rs. 3,00,000 from KathiBabu was wrongly entered in sales book.

(v) The period end total of sales book was under cast by Rs. 10,000.

(vi) Goods of Rs. 5,000 return by Guduli& Co. were taken into stock, but returns were not posted.

(b) Explain briefly main characteristics of marginal costing.

(c) You are given the following data :

Year	Sales	Profit
2020	Rs. 12,00,000	Rs. 80,000
2021	Rs. 14,00,000	Rs. 1,30,000

Find out :

(i) P/V Ratio,

(ii) B.E. Point,

(iii) Profit when sales are Rs. 18,00,000 **(6+6+6)**

4. (a) AVS Ltd is a small company that is currently analyzing capital expenditure proposals for the purchase of equipments , the company uses the net present value technique to evaluate projects. The capital budget is limited to Rs. 5,00,000 which AVS Ltd believes is the maximum capital it can raise. The initial investment and projected net cash flows for each project are shown below. The cost of capital AVS Ltd is 12% . You are required to compute the NPV of the different projects and choose which project is best project among them.

	Project A	Project B	Project C	Project D
Initial Investment	2,00,000	1,90,000	2,50,000	2,10,000
Project cash inflows				
Year 1	50,000	40,000	75,000	75,000
2	50,000	50,000	75,000	75,000
3	50,000	70,000	60,000	60,000
4	50,000	75,000	80,000	40,000
5	50,000	75,000	1,00,000	20,000

(b) Explain and distinguish between Financial Distress and Insolvency. **(12+6)**

5. Following is the Trial Balance of M/s. Bapi& Sons, Prepare Trading, Profit and Loss Account and Balance sheet for the year ended 31st March 2021.

Particulars	Debit (Rs.)	Credit (Rs.)
Stock as on 01.04.2020 : Finished goods	2,00,000	
Purchase and Sales	22,00,000	35,00,000
Bills receivable	50,000	
Returns	1,00,000	50,000
Carriage Inwards	50,000	
Debtors and Creditors	2,00,000	4,00,000
Carriage Outwards	40,000	
Discounts	5,000	5,000
Salaries	2,20,000	
Insurance	60,000	
Rent	60,000	
Wages	80,000	
Bad debts	10,000	
Furniture	4,00,000	
Bapi's Capital		5,00,000
Bapi's drawings	70,000	
Loose tools	1,00,000	
Printing and stationery	30,000	
Advertising	50,000	
Cash in hand	45,000	
Cash at Bank	2,00,000	
Petty cash	5,000	
Machinery	3,00,000	
Commission	10,000	30,000
Total	44,85,000	44,85,000

Adjustments: (i) Finished goods stockon 31^{st} March was valued at Cost price Rs. 4,20,000 while market price was Rs. 400,000. (ii) Depreciate furniture @ 10% p.a. and machinery @ 20% p.a. on reducing balance method. (iii) Rent of Rs. 5,000 was paid in advance. (iv) Salaries and wages due but not paid Rs. 30,000. (v) Make a provision for doubtful debts @ 5% on debtors. (vi) Commission receivable Rs. 5,000.

(18)

6. (a) Statement of financial position of Mr. Happy is given below:

Liabilities	01.04.2021	31.03.2022	Assets	01.04.2021	31.03.2022
Accounts Payable	29,000	25,000	Cash	40,000	30,000
Capital	7,39,000	6,15,000	Debtors	20,000	17,000
			Stock	8,000	13,000
			Building	1,00,000	80,000
			Other Fixed Assets	6,00,000	5,00,000
	7,68,000	6,40,000		7,68,000	6,40,000

Additional information:

(1) There were no drawings.

(2) There were no purchases or sale of either building or other fixed assets.

Prepare as statement of Cash Flow.

(b) Discuss budgetary control as a management tool. **(12+6)**

7. Write short notes on any **six** of the following :

(a) Matching concept

(b) Bonus shares

(c) Retained earnings

(d) Time value of money

(e) Economic Batch Quantity

(f) Absorption costing

(g) Flexible Budget

(h) Common size analysis

(i) Financial leverage **(6x3)**

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