



**SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY :: PUTTUR
(AUTONOMOUS)**

Siddharth Nagar, Narayanavanam Road – 517583

QUESTION BANK (DESCRIPTIVE)

Subject with Code : **Accounting & Financial Management (16MB749)**

Course & Specialization: MCA

Year & Sem: **I-MCA & II-Sem**

Regulation : **R16**

UNIT –I

Introduction to Accounting

1. Define Accounting. Explain the scope and importance of accounting. [12 M]
2. What is meant by double-entry system of accounting? Explain its importance to financial management. [12 M]
3. How do you classify accounts. Explain the rules of debit and credit with respect of different types of accounts. [12 M]
4. Briefly explain the Generally Accepted Accounting Principles (GAAP). [12 M]
5. Journalise the following transactions. [12 M]
 - 01 March,2012 Gopal started business with the capital Rs.20,000,
Furniture Rs.3,000 and Stock Rs.2,000.
 - 03 March,2012 Deposited into Bank Rs.8,000.
 - 10 March,2012 Goods purchased from Hari Rs.7,000.
 - 15 March,2012 Goods sold Srinivas on cash Rs.6,500.
 - 17 March,2012 Goods returned to Hari Rs.400.
 - 20 March,2012 Commission received Rs.800.
 - 30 March,2012 Salaries paid Rs.5,000
 - 31 March,2012 Rent paid Rs.2,000
6. Explain the purpose of preparing final accounts and furnish their formats. [12 M]
7. What are various subsidiary books? Explain. [12 M]
8. Write a short note on :
 - a) Advantages of Book-keeping [6 M]
 - b) Types of cash book [6 M]
9. A book keeper has submitted to you the following trial balance. [12 M]

Particulars	Rs	Particulars	Rs.
Cash in hand	30	Capital	7,610
Purchases	8990	Sales	11060
Cash in bank	885	Creditors	1950
Fixtures and fittings	225	Bills payable	1875
Freehold premises	1500	Discount received	445
Lighting and heating	65		
Bills receivable	825		
Return inwards	30		
Salaries	1075		
Debtors	5700		
Stock (01.01.2011)	3000		
Printing	225		
Rates, taxes and insurance	190		

Discount allowed	200		
	22940		22940

Stock as on 31 December, 2011 was valued at Rs.1,800. You are required to prepare trading and profit and loss account for the year ended 31 December, 2011.

10. Prepare trading and profit & loss account for the year ending 31.12.2012 and a balance sheet as on that date from the following trial balance. Also adjust details given at the end of trial balance.

[12 M]

Particulars	Rs	Particulars	Rs.
Purchases	78000	Sales	125000
Sales returns	2700	Purchase returns	3600
Discount allowed	1850	Discount received	1250
Opening stock	6675	Bank overdraft	425
Salaries	23000	Creditors	7750
Electricity and Gas	1500	Capital	55000
Rent and Rates	1000	Long-term loans	16500
Sundry expenses	2350		
Premises	50000		
Equipment	15000		
Vehicles	10750		
Debtors	11420		
Cash	60		
Drawings	5220		
Total	209525	Total	209525

Adjust the following :

- Closing stock Rs.15000/-
- Out standing salaries Rs.2000/-
- Prepaid rent and rates Rs.1000/-
- Provide depreciation on equipment @10% p.a.



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UNIT –II

Introduction to Financial Management

1. What do you understand by financial management? Explain the role of financial manager in financial management. [12 M]
2. What are the objectives and functions of financial management? Explain in detail. [12 M]
3. a) What is meant by the term 'leverage'? [6 M]
b) Consider the following information for Ravi and Company,- [6 M]

Particulars	Rs. in Crore
Earnings before interest and taxes	1120
Profit before tax	320
Fixed cost	700

- Calculate the percentage change in earning per share, if sales increased by 7 per cent.
4. What is financial management? Explain its nature and scope of financial management. [12 M]
 5. What do you mean by capital structure? Briefly explain the various theories in capital structure. [12 M]
 6. Define cost of capital. Explain the procedure of computing Weighted Average Cost of Capital. [12 M]
 7. Briefly write the following:
 - a) Objectives of time value of money [6 M]
 - b) Goals of financial management [6 M]
 8. How is the cost of debt computed? How does it differ from the cost of preference share capital? [12 M]
 9. a) Explain the causes of over capitalization and undercapitalization. [6 M]
b) Explain various sources of funds to the business enterprise. [6 M]
 10. a) Briefly explain the EBIT-EPS analysis. [6 M]
b) A firm's after tax cost of capital of the specific sources is as follows,- [6 M]

Cost of debt	-	4.77% ;
Cost of Preference Shares	-	10.53%
Cost of equity capital	-	14.59%
Cost of retained earnings	-	14.00%

The following are the capital structure of the firm,-

Cost of debt	3,00,000
Preference share capital	2,00,000

Equity capital	4,00,000
Retained earnings	1,00,000

Total	10,00,000

Calculate the weighted average cost of capital.



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UNIT –III

Financial Analysis through Ratios

1. What is ratio analysis? Explain the significance of ratio analysis. [12 M]
2. How do you classify ratios? Explain with examples. [12 M]
3. Explain the following ratios: [12 M]
 - a) Current Ratio b) Debt-Equity Ratio c) Gross Profit Ratio
4. Write a short notes on :
 - a) Liquidity Ratios [6 M]
 - b) Profitability Ratios [6 M]
5. Calculate the following ratios from financial statement of Rajaji company. [12 M]
 - a) Current Ratio b) Stock Turnover Ratio
 - c) Liquid Ratio d) Creditor's Turnover Ratio

Particulars	Amount in Rs.	Particulars	Amount in Rs.
Opening stock	47,000	Debtors	42,000
Closing stock	53,000	Cash	10,000
Sales	2,50,000	Bank	8,000
Provision for doubtful debts	2,000	Bills receivable	15,000
Creditors	32,000	Provision for tax	15,000
Loose tools	4,000	Bills payable	29,000
Purchases	1,80,000	Marketable securities	8,000

6. The particulars of incomes and expenses of a company are given hereunder, for the year ended 31st March, 2011. You are required to calculate a) Gross Profit ratio, b) Net Profit ratio, c) Operating Ratio and d) Stock turnover ratio. [12 M]

Particulars	Rs.	Particulars	Rs.
Opening stock	76250	Sales	500000
Purchases	315000	Closing stock	98500
Manufacturing Expenses	7000	Income from Investments	6000
Admin. exp.	100000		
Selling and Distribution exp.	12000		
Loss by fire	13000		

7. Work out : a) Debtors turnover ratio b) Average collection period from the following information. [12 M]

Total sales Rs.5,00,000/-; Cash sales Rs.1,00,000/-
 Opening debtors Rs.30,000/- ; Closing debtors Rs.40,000/-
 Opening bills receivable Rs.45,000/-; Closing bills receivable Rs.25,000/-

8. a) Calculate EPS with the given information: The number of shares is 10,000 and the net profit after taxes for a given accounting period is Rs.4,50,000. [6M]
b) Calculate P/E ratio with the given information: Market price per a share is Rs.340 and EPS is Rs.10. [6M]
9. Write short notes on the following : [12 M]
a) Operating ratio b) Working capital ratio c) P/E ratio
10. Calculate Operating Ratio from the given information : [12 M]
Sales Rs.10,00,000; Opening stock Rs.1,00,000; Production cost Rs.5,00,000; Closing stock Rs.75,000; Administrative expenses Rs.25,000; Selling expenses Rs.20,000; Depreciation Rs.20,000;



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UNIT –IV

Funds Flow and Cash Flow Analysis

Break Even Analysis

1. What is funds flow statement? Discuss the significance of funds flow statement as a tool of financial analysis. [12 M]
2. What are the steps to be followed for preparing the statement of sources and applications of fund? [12 M]
3. From the following balance sheets of Gudiwada Ltd., you are required to prepare funds flow statement for the year ending 31st Dec,2015. [12M]

Liabilities	31.12.2014	31.12.2015	Assets	31.12.2014	31.12.2015
Share Capital	70,000	74,000	Cash	9,000	7,800
Debentures	12,000	6,000	Debtors	14,900	17,700
Provision for bad debts	700	800	Stock	49,200	42,700
Creditors	10,360	11,840	Land	20,000	30,000
Profit & Loss A/c	10,040	10,560	Goodwill	10,000	5,000
Total	1,03,100	1,03,200		1,03,100	1,03,200

Additional information :

- a) Dividends paid Rs.3,500
 - b) Land is purchased during the year Rs.10,000
4. Define cash flow statement. How does cash flow statement differ from funds flow statement? What are their uses? [12 M]
 5. From the following comparative balance sheet of Sankalp Ltd., for the year 2011 and 2012 prepare a cash flow statement. [12 M]

Balance sheet

Liabilities	2011	2012	Assets	2011	2012
Equity share capital	3,50,000	3,70,000	Cash	45,000	39,000
10% Debentures	60,000	30,000	Debtors	71,000	84,500
Creditors	51,800	59,200	Stock	2,46,000	2,13,500
Profit & Loss a/c	50,200	52,800	Land	1,00,000	1,50,000
			Good will	50,000	25,000
Total	5,12,000	512000		5,12,000	5,12,000

6. Define Break-Even Analysis. How do you determine the break-even point? Explain with suitable graphs. [12M]
7. a) Define the term marginal costing. [6M]
b) What is contribution? [6M]
8. From the following information calculate: [12M]
Total sales –Rs.3,60,000
Selling price per unit-Rs.100
Variable cost per unit –Rs.50
Fixed cost-Rs.1,00,000
a) P/V Ratio
b) Breakeven Point
c) Margin of safety
d) If selling prices is reduced to Rs.90, by how much the margin of safety is reduced?
9. Explain the following terms briefly: [12M]
a) Break-Even Point (BEP)
b) Profit-Volume Ratio
c) Margin of Safety
10. The following are the budgeted data relating to Appha Co. and Beta Co. producing identical products: [12M]

Particulars	Alpha Co.		Beta Co	
	Rs.	Rs.	Rs.	Rs.
Sales		1,50,000		1,50,000
Less: Variable cost	1,20,000		1,00,000	
Fixed cost	15,000	1,35,000	35,000	1,35,000
Net Profit		15,000		15,000

- a) Calculate break-even points, P/V ratio and margin of safety of each company.
b) State which company is likely to earn greater profits in conditions of i) Heavy demand and ii) Low demand of the product.



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UNIT –IV

Capital Budgeting

1. Write the following : [12M]
 - a) Objectives of capital budgeting.
 - b) Determinants of working capital.
2. What do you mean by working capital? What factors influence the working capital of a firm? [12M]
3. Explain the following : [12M]
 - a) IRR
 - b) NPV
 - c) ARR
4. What is capital budgeting ? Briefly explain the methods using to calculate IRR and NPV under capital budgeting. [12M]
5. Discuss the various methods of raising finance to the firm. [12M]
6. Ramesh & Co. is considering the purchase of machine. Two machines X and Y each costing Rs.50,000 is available. Earnings after taxes are expected to be as under : [12M]

Year	1	2	3	4	5
Machine X	15,000	20,000	25,000	15,000	10,000
Machine Y	5,000	15,000	20,000	30,000	20,000

Estimate the two alternatives according to payback method.

7. A company has two proposals each costing Rs.4.5 lakh. The details of the cash inflows are as follows : [12M]

Year	Project – I	Project – II
1	1,50,000	3,00,000
2	2,50,000	2,00,000
3	3,00,000	1,50,000
4	1,00,000	1,00,000

The cost of capital is 10% per year. Which one you will choose under NPV method.

8. What do you understand by the cost of capital? Discuss its significance in capital budgeting decision. [12M]
9. Explain various methods of capital budgeting decisions. [12M]
10. Rahul Ltd., are engaged in large scale consumer retailing. From the following information, you are required to forecast their working capital requirements. [12M]

Projected annual sales	-	Rs.65,00,000
Percentage of Net profit on cost of sales	-	25%

Average credit period allowed to Debtors	-	10 weeks
Average credit period allowed by creditors	-	4 weeks
Average stock carrying (in terms of sales requirement)	-	8 weeks

Add 10% to computed figures to allow for contingencies.

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