

Code: 9FHS103

MCA I Semester Supplementary Examinations August 2014

**ACCOUNTING & FINANCIAL MANAGEMENT**

(For students admitted in 2009, 2010, 2011, 2012 & 2013 only)

Time: 3 hours

Max. Marks: 60

Answer any FIVE questions  
All questions carry equal marks

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1. (a) Define accounting and give the main attributes of accounting.  
(b) Explain the main objectives and functions of accounting.
2. "Accounting equation is true under all circumstances". Justify this statement with the help of five illustrations.
3. Define operating and financial leverage. How can you measure the degree of operating and financial leverage? Illustrate with an example.
4. Distinguish between the weighted average cost of capital and the marginal cost of capital. Which one should be used in capital budgeting and valuation of the firm? Why?
5. With the help of the following ratio's regarding Sarath & Company, draw the balance sheet of the company for the year 2007.

Current ratio	2.5
Liquidity ratio	1.5
Networking capital	₹ 3,00,000
Stock turnover ratio	6 times
Gross profit ratio	20%
Fixed assets turnover ratio	2 times
Debt collection period	2 months
Fixed assets to shareholders net worth	0.80
Reserves and surplus to capital	0.50
6. Explain the role of non - current assets and non - current liabilities in the generation of cash.
7. In 2006, Srikanth Ltd., sold its products worth Rs 40 lakhs and made a profit of Rs 4 lakhs. But in 2007, the sales dipped to Rs 30 lakhs due to competition in the market and the profit is reduced to 3 lakhs. Calculate break even points and profit volume ratios in 2006 and 2007.
8. Under what circumstances do the net present value and internal rate of return methods differ? Which method would you prefer and why?

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