Code: 9FHS103

ACCOUNTING & FINANCIAL MANAGEMENT
(For 2009, 2010, 2011, 2012 & 2013 admitted batches only)

Time: 3 hours   Max. Marks: 60

Answer any FIVE questions
All questions carry equal marks
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1   What is double entry system? Discuss the rules, advantages and disadvantages of this system.

2   What is an accounting equation? Illustrate it's mechanism by imaginary figures to prove that the two sides of the equation are always equal.

3   How does the "modern" financial manager differ from the "traditional" financial manager? Does the "modern" financial manager's role differ for the large diversified firm and the small to medium size firm?

4   (a)   Define cost of capital? Explain its significance in financial decision making.
    (b)   How is the cost of debt computed? How does it differ from the cost of preference capital?

5   The following are ratios extracted balance sheet of a company as on 31/12/2005. Draw up the year 2005 balance sheet of the company.
     Current liabilities 1.0
     Current assets 2.5
     Working capital Rs. 3,00,000
     Quick (liquid) ratio 1.5
     Stock turnover ratio 6 times
     Gross profit as percentage of sales 20%
     Debt collection period 2 months
     Shareholders capital Rs.5,00,000
     Reserves and surplus Rs.2,50,000
     Fixed assets turnover 2 times.

6   What is funds flow statement? Discuss the significance of funds flow statement as a tool of financial analysis.

7   From the following information calculate:
    (a)   P/V ratio.
    (b)   Breakeven point.
    (c)   Margin of safety.
          Total sales Rs. 3,60,000
          Selling price per unit Rs.100
          Variable cost per unit Rs.50
          Fixed costs Rs. 1,00,000.
    (d)   If selling prices is reduced to Rs. 90, by how much the margin of safety is reduced?

8   Explain the merits and demerits of the time-adjusted methods of evaluating the investment projects.
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