MBA.T.I/11. 1010

M.B.A DEGREE (TRAVEL AND TOURISM) I SEMESTER EXAMINATION NOVEMBER 2011

SMT 2103 ACCOUNTING AND FINANCE

Time: 3 Hours Maximum Marks : 50

(5 x 10 = 50)

I. A. Discuss the functions of a financial manager of a company in travel business.

OR

B. Hari Singh has extracted the following trial balance from his books as on 31st March, 1996:

Particulars	Dr. ₹	Cr ₹
Drawings	16,000	
Cash	6,760	
Petty Cash	1,000	
Leasehold Land	20,000	
Opening Stock at Market Value	50,000	
Salary	12,000	
Sundry Debtors	50,000	
Wages	40,000	
Bank	21,000	
Capital		34,000
Rent	9,000	
Electricity	6,000	
Motor Car	10,240	
Advertising	9,000	
Sundry Creditors		35,000
Purchases	4,00,000	
Postage and Telephone	3,000	
Sales		6,00,000
Discounts	11,400	
General Charges	4,000	
Petty Cash	9,600	
Suspense		10,000
	6,79,000	6,79,000

You are required to prepare a Trading and Profit and Loss Account and Balance Sheet using the following additional information:

(i) Closing Stock at market value as on 31st March, 1996 was Rs.80,000/- (cost ₹ 75,000/-). Stock is being valued on a consistent basis of cost or market price whichever is lower.

(ii) The petty cash balance represents the month-end imprest amount. As on the closing date, the petty cashier had vouchers totaling ₹ 400/- for which he had not received reimbursement from the main cashier.

(iii) Discounts allowed amounting to ₹ 1,000/- had been posted to the debit of Sundry Debtors.

(iv) Cash withdrawn from the Bank ₹ 4,000 had not been entered in the bank column of the Cash Book.

(v) Sales account had been undercast on the credit side by ₹ 4,000/-.

(vi) The motor car which had been purchased in 1992-93 was being depreciated at 20% on the reducing balance method. The original cost of the car is ₹ 20,000/-. It is now decided to charge depreciation at the rate of 6 percent on the straight line method and to make this change effective from the year of purchase of the car.

(vii) The Leasehold land was purchased during the year. One the date of purchase, the unexpired period of the lease was five years.

(viii) No entry had been passed in the books for stocks withdrawn from the business by the proprietor valued at ₹ 10,000/-.

(ix) Advertising includes cost of a campaign run during the year ₹ 6,000/- . It is expected that the effect of this campaign will be felt for at least three years.

(x) Telephone bills amounting to Rs.1,000/- remain unpaid.

(P.T.O)

II. A. Discuss the techniques used for financial analysis and control for an organization in tourism industry.

OR

B. A company budgets production of 5,00,000 units at a variable cost of ₹ 20/- each. Fixed costs are ₹ 20,00,000/-. The selling price is fixed to yield 25% profit on total cost. You are required to calculate: (i) P/V ratio (ii) break-even point (iii) profit at the current level of sales (iv) sales volume required to earn a profit of 50% on total cost (v) what would be the margin of safety in (iii) and (iv) above.

III. A. What are the factors to be considered in deciding capital structure of a company in the travel and tourism industry?

OR

B. (a) Determine the present value of the cash inflows of ₹ 3,000/- at the end of each year for next 4 years and ₹ 7,000/- and ₹ 1,000/- respectively at the end of years 5 and 6. The appropriate discount rate is 14 percent.

(b) Assume an annual rate of interest of 15 percent. The sum of ₹ 100/- received immediately is equivalent to what quantity received one year from now. What could be the annual amount if the first payment were received immediately?

(c) Assume a rate of interest of 10 percent. We have a debt to pay and are given a choice of paying ₹ 1,000/- now or some amount 'X' five years from now. What is the maximum amount that 'X' can be for us to be willing to defer payment for five years?

IV. A. Discuss the MM theory on capital structure.

OR

B. Following data relate to five independent investment projects:

Projects	Initial Outlay (₹)	Annual cash Inflow (₹)	Life in years
A	5,00,000	1,25,000	8
B	1,20,000	12,000	15
C	92,000	15,000	20
D	5,750	2,000	5
E	40,000	6,000	10

Assume a 10 percent required rate of return and a 35 percent tax rate. Rank these five investment projects according to each of the following criteria (i) payback period (ii) accounting rate of return (iii) net present value (iv) internal rate of return (v) Profitability indes.

V. A. Write short notes on:

(i) Log book (ii) Calculation of room rent (iii) Cost – sheet (iv) Canteen costing

OR

B. Dulux Transport Ltd. Operates a fleet of lorries. The records for Lorry – L – 14 reveal the following information for June 2008:

Days maintained	30
Days operated	25
Days idle	5
Total hours operated	300
Total kms. covered	2,500
Total trips	50
Total tones carried	200 (4 tonne load per trip, return journey Empty

You ascertain the following:

(i) Operating costs for the month: petrol ₹ 700/-, oil ₹ 300/-, grease ₹ 100/-, wages to driver ₹ 600/- , wages to assistant ₹ 400/-.

(ii) Maintenance costs for the month: repairs ₹ 300/-, overhead ₹ 500/-, tyres ₹ 300/-, Garage charge ₹ 200/-.

(iii) Fixed costs for the month based on estimates for the year. insurance ₹ 250/-, Licence tax etc. ₹ 200/-, interest ₹ 400/-, other overhead ₹ 350/-.

(iv) Capital cost: cost of acquisition ₹ 30,000/-. Residual value at the end of 4 years life ₹ 6,000/-.

Prepare a cost sheet and performance statement showing:

(i) cost per day mainted (ii) cost per day operated (iii) cost per kilometer (iv) cost per hour (v) cost per commercial tonne – km.

Provide columns for last month's figures in the performance statement.

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