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INDIAN MARITIME UNIVERSITY
(A Central University, Government of India)

May/June 2016 End Semester Examinations

Master of Business Administration (MBA)
INTERNATIONAL TRANSPORTATION AND LOGISTICS MANAGEMENT
First Semester (From 2009-2015 batch only)

Financial Accounting and Management (PG22 T2103)

Date : 15.06.2016

Time: 3 Hrs

Maximum Marks: 60

Pass Marks : 30

SECTION-A

Answer all the questions

(12 x 1= 12 Marks)

- 1) If Assets = Rs. 99,500 and Owner's equity = Rs. 50,500 then Liabilities = ?
- a) Rs. 49,000
 - b) Rs. 55,000
 - c) Rs. 125,000
 - d) Rs.115.700
- 2) Sale of goods to Amir is wrongly debited to Umair A/c instead of Amir A/c. Both are debtors of business, this is an example of:
- a) Error of Omission
 - b) Error of Commission
 - c) Error of Principle
 - d) Error of Original entry
- 3) Which of the following is TRUE about a merchandising company?
- a) A merchandising company's business is to buy and sell products.
 - b) A merchandising company must use the perpetual system to account for merchandising Inventory.
 - c) A merchandising company's business is to provide services.
 - d) None of the given options

4) Money spent to acquire or upgrade physical assets is known as:

- a) Revenue Expense
- b) Capital Expense
- c) Administrative Expense
- d) Operating Expense

5) Goods of Rs. 1,000 purchased from Mr. "A" were recorded in sales book. The rectification of this error will:

- a) Increase the gross profit
- b) Reduce the gross profit
- c) Have no effect on gross Profit
- d) None of the given options

6) An amount of Rs. 200 received from Mr. "P" but credited to Mr. "Q" would affect:

- a) Accounts of P & Q
- b) Only Cash Account
- c) Only P's account
- d) Only Q's account

7) _____ is the art of recording, classifying and summarizing the transactions and events of a business and interpreting the results thereof.

- a) Book-keeping
- b) Accounting
- c) Management
- d) Auditing

8) What will be debited, if Mohsin commenced business with cash?

- a) Cash account
- b) Capital account
- c) Drawings account
- d) Proprietor account

9) Which financial statement displays the revenues and expenses of a company for a period of time?

- a) income statement
- b) Balance sheet
- c) cash flow statement
- d) statement of stockholders equity

10) What is the main purpose of financial accounting?

- a) Organize financial information
- b) Provide useful financial information to outsiders
- c) Kepp track of company expenses
- d) Company taxes

11) Which of these is not included as a separate item in the basic accounting equation?

- a) Assets
- b) Revenues
- c) Liabilities
- d) Stockholders equity

12) Which financial statement uses the expanded accounting equation?

- a) Income statement
- b) Balance sheet
- c) Cash flow statement
- d) Statement of stockholders equity

SECTION- B

(5 x 4 = 20 Marks)

Answer any FIVE questions. The answer should not exceed 200 words.

13. Differentiate between IRR and NPV method.

14. List down the factors affecting capital budgeting decision.

15. A cosmetic company is considering to introduce a new lotion. The manufacturing equipment will cost Rs.5,60,000. The expected life of the equipment is 8 years. The company is thinking of selling the lotion in asingle standard pack of 50 grams at Rs. 12 each pack. It is estimated that variable cost per pack would be Rs. 6 and annual fixed cost Rs. 4,50,000. Fixed cost includes (straight line) depreciation of Rs. 70,000and allocated overheads of Rs. 30,000. The company expects to sell 1,00,000 packs of the lotion each year. Assume that tax is 45% and straight line depreciation is allowed for tax purpose. Calculate the cash flows.

16. The management of Health Supplement Inc. wants to reduce its labor cost by installing a new machine. Two types of machines are available in the market – machine X and machine Y. Machine X would cost Rs.18,000 where as machine Y would cost Rs.15,000. Both the machines can reduce annual labor cost by Rs.3,000. Which is the best machine to purchase according to payback method?

17. An investment of Rs.200,000 is expected to generate the following cash flows in six years:

<u>Year</u>	<u>Net cash flow(Rs)</u>
1	30,000
2	40,000
3	60,000
4	70,000
5	55,000
6	45,000

Compute
payback period

of the investment. Should the investment be made if management wants to recover the initial investment in 3 years or less?

18. What do you mean by venture capital?

19. How is cost of equity capital determined under CAPM? Explain.

SECTION- C

(4 x 7 = 28 Marks)

Question No.20 is compulsory. Answer any THREE from the remaining. The answer should not exceed 500 words.

20. Mr.Senthil's book shows the following balances. Prepare his Trading and Profit and Loss account for the year ended 31st March 2012 and Balance Sheet as on that date.

<u>Particulars</u>	<u>Debit Rs.</u>	<u>Credit Rs.</u>
Stock on 1.4.2004	1,50,000	
Purchases	1,30,000	
Sales		3,00,000
Carriage inwards	2,000	
Salaries	50,000	
Printing and Stationery	8,000	
Drawings	17,000	
Sundry Creditors		20,000
Sundry debtors	1,80,000	
Furniture	10,000	
Capital		2,50,000
Postage & Telephone	7,500	
Interest paid	4,000	
Machinery	41,500	
Loan Account		25,000
Suspense A/c		5,000
	6,00,000	6,00,000

Adjustments:

1. Closing Stock Rs.1,20,000
 2. Provide 5% for bad & doubtful debts on debtors
 3. Depreciate machinery & furniture by 5%
 4. Allow interest on capital at 5%
 5. Prepaid printing charges Rs.2,000
21. HP Ltd has paid-up capital 60000 equity shares of rs.1 each. The current market price of share is rs.24. During the current year, he company has declared a dividend of rs6 per share. The company has also previously issued 14% preference shares of rs. 100 each aggregating rs.300000 at 5% discount and 13% debentures of rs.100 each for rs. 500000 . The corporate tax rate is 40%, the growth rate in dividends on equity shares is expected at 5%. Calculate the overall cost of capital of the company.
22. Explain the concept of time value of money. Discuss its techniques
23. A project requires an initial investment of RS 225,000 and is expected to generate the following net cash inflows:

Year	1	2	3	4
Cash inflow	Rs95,000	Rs80,000	Rs60,000	Rs55,000

Compute net present value of the project if the minimum desired rate of return is 12%.

24. Explain the various sources of long term finance.
25. Write down the advantages and disadvantages of dividend policy.
