INDIAN MARITIME UNIVERSITY

(A Central University, Govt. of India)

End Semester Examinations - December 2018

SEMESTER-I

M.B.A (Port and Shipping Management) /

(International Transportation and Logistics Management)

Financial Accounting and Management(PG 21T2103/PG22T2103)

Date:28-12-2018 Max Marks :60

Time: 3 Hrs Pass Marks: 30

PART– A

(Answer all the Questions)

12 x 1=12

1(a) Which of the following shows summary of a company's financial position at a specific date?

A. Profit & Loss Account
B. Cash Flow Statement
C. Balance Sheet
D. Income & Expenditure Account

1(b) Economic resources owned by a business and expected to benefit for the future operations are called:

A. Expenses
B. Assets
C. Capital
D. Liabilities

1(c) Expenditures incurred annually on renewal of patent are known as:

A. Revenue Expenditures
B. Capital Expenditures
C. Financial Expenditures
D. Operating Expenditures

1(d) Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance).

A. Capital account
B. Sundry creditors account
C. Accounts payable account
D. Cash account

1(e) The amount of salary paid to Mr. Sohail should be debited to:

A. Mr. Sohail account

B. Salaries account

C. Cash account

D. Drawings account

1(f) Investment is the____________

A. net additions made to the nation's capital stocks

B. person's commitment to buy a flat or house

C. employment of funds on assets to earn returns

D. employment of funds on goods and services that are used in production process

2(a)Market value of the shares are decided by ________________

A. the respective companies

B. the investment market

C. the government

D. Shareholders

2(b) A company may raise capital from the primary market through

A. Public issue

B. Rights issue

C. Bought out deals

D. All of the above

2(c)The optimal portfolio is the efficient portfolio with the ____________

A. lowest risk

B. highest risk

C. highest utility

D. least investment

2(d)Excess working capital results in ________.

A. Block of cash

B. Loosing interests

C. Lack of production

D. Lack of smooth flow of production

2(e)The market value of the firm is the result of __________.

A. dividend decisions

B. working capital decisions

C. capital budgeting decisions

D. trade-off between cost and risk

2(f)In capital budgeting, a technique which is based upon discounted cash flow is classified as

A. net present value method

B. net future value method

C. net capital budgeting method

D. net equity budgeting method

PART – B (200 Words)
(Answer any Five out of Seven)

5 x 4 = 20

3. What is contingent liability?
4. Define owner's equity
5. What are the limitations of the balance sheet?
6. Explain the various techniques employed to adjust the time value of money.
7. Enter the following transactions in the Journal of Bhagwat and sons.. 2006

January 1 Tarun started business with cash Rs 1,00,000
January 2 Goods purchased for cash Rs 20,000
January 4 Machinery Purchased from Vibhu Rs 30,000
January 6 Rent paid in cash Rs 10,000

8.The Alpha company Ltd. is considering the purchase of a new machine. Two alternative machines (A and B) have been suggested each costing Rs. 4,00,000. Earning after taxation are expected to be as follows

Year	Machine A	Machine B
	(Cash Flow in Rs.)	
1.	40,000	1,20,000
2.	1,20,000	1,60,000
3.	1,60,000	2,00,000
4.	2,40,000	1,20,000
5	1,60,000	80,000

The company has a target of return on capital of 10% and on this basis, you are required to compare the Net present value and profitability index of the machines and state which alternative you consider financially preferable.

9. A company issues 10,000 equity shares of Rs. 10 each at a premium of 10%. The company has been paying 20% dividend to equity shareholders for the past few years and expects to maintain the same in the future also. Compute the cost of equity capital. Will it make any difference if the market price of equity share is Rs. 150.

PART - C

(Question No.10 is compulsory and Any three questions to be answered from the remaining Questions)

4 x 7 = 28

10. From the following ledger balances of Regal Limited as on 31st March 2015. You are required to prepare the Balance Sheet as on 31st March 2015 as per Revised schedule III of the Indian Companies Act.

	(Amount in Rs.)
Office Equipment	4,80,600
General Reserve	4,15,000
9% Debentures in APCO Ltd,	2,45,000
Creditors for Goods	1,68,500
Loose Tools	1,63,000
Creditors for expenses	36,000
Plant & machinery	18,00,000
Cash Credit	75,000
Computer Software	83,250
Mortgage loan	3,10,000
Debtors for goods	1,90,000
8%Preference share capital	5,50,000
Advertisement (unwritten off)	30,000
Equity Share Capital	15,00,000
Stores & Spares	1,00,200
Staff Welfare Fund	85,000
Interest accrued on investment	51,000
Provision for Taxation	26,550
Cash at Bank	23,000

11.A company is considering the purchase of two assets with the following details.

Particulars	Asset I	Asset II
Estimated Life	3 years	3 years
Capital	Rs. 10,000	Rs. 10,0000
Net Cash Flow		
1 year	Rs. 8,000	Rs, 2,000
2 year	Rs. 6,000	Rs. 7,000
3 year	Rs. 4,000	Rs. 10,000

You are required to suggest which asset should be preferred using 10% discount factor:

a. Payback period
b. Discounted payback period
c. Average rate of return
d. Net present value (10%)
e. Internal rate of return
f. Profitability Index

12. Three companies A,B,and C are in the same type of business and hence have similar operation risks. However, the capital structure of each of them is different and the following are the details.

Particulars	*A*	*B*	*C*
Equity Share capital (Face value Rs. 10 per share)	4,00,000	2,50,000	5,00,000
Market value per share	15	20	12
Dividend per share	2.70	4	2.88
Debenture (face value per Rs. 100)	Nil	1,00,000	2,50,000
Market value per debenture	Nil	125	80
Interest Rate	Nil	10%	8%

Assume that the current level of dividends are generally expected to continue indefinitely and the income tax rate is 50%. You are required to compute the weighted average cost of capital of each company.

13. What are the accounting principles, assumptions and concepts?

14. Give a critical appraisal of the traditional approach and the Modigliani - Miller approach to the problem of capital structure.

15. Explain the concepts of capital budgeting and what is its practical utility?