

Indian Maritime University
(A Central University, Govt. of India)
MBA-International Transportation and Logistics Management/
Port And Shipping Management
PG21T2103/PG22T2103 (Semester-1)
FINANCIAL ACCOUNTING AND MANAGEMENT
May/June 2018 End Semester Examinations

Time: 3 Hours

Date: 06.06.2018

Max Marks:60

Pass Marks:30

SECTION A

12 X 1=12 Marks

Answer all the questions
All the questions carry equal marks

Choose The Right Answer

1. Transactions are first entered in the books of original entry which is
 - a. Ledger
 - b. Voucher
 - c. Journal
 - d. Cash Book

2. Under which method amount of depreciation goes on decreasing year after year
 - a. Diminishing balance
 - b. Annuity
 - c. Fixed Installment
 - d. Sinking Fund

3. Capital expenditure is that expenditure which is:
 - a. Paid in lump-sum
 - b. Large in amount
 - c. Intended to benefit the future period
 - d. Intended to benefit the current period

4. When shares are forfeited the share capital account is debited by
 - a. Paid-up amount
 - b. Called – up amount
 - c. Calls in arrear
 - d. Nominal value or such shares.

5. Cumulative Preference share may have which of the following features?

- a. Dividend preference.
 - b. Preference to assets in the event of liquidation.
 - c. Cumulative dividends.
 - d. all of the above
6. A capital investment is one that
- a. has the prospect of long-term benefits.
 - b. has the prospect of short-term benefits.
 - c. is only undertaken by large corporations.
 - d. applies only to investment in fixed assets
7. Internal Equity means
- a. Share holders fund
 - b. Workers equity fund
 - c. Internal Interest
 - d. Internal Profit
8. The _____ method provides correct rankings of mutually exclusive projects, when the firm is not subject to capital rationing.
- a. internal rate of return
 - b. payback period
 - c. net present value
 - d. profitability index
9. A major advantage of the company form of organization is
- a. Reduction of double taxation
 - b. Limited owner liability
 - c. Legal restrictions
 - d. Ease of organization
10. The market price of a share of common stock is determined by
- a. The board of directors of the firm
 - b. The stock exchange on which the stock is listed
 - c. The president of the company
 - d. Individuals buying and selling the stock
11. The purpose of financial markets is to
- a. Increase the price of common stocks
 - b. Lower the yield on bonds
 - c. Allocate saving efficiently
 - d. Control inflation

12. To increase a given present value, the discount rate should be adjusted
- Upward
 - Downward
 - True
 - Fred

SECTION B

5 X 4 = 20 Marks

Answer any 5 out of 7 questions

Each answer should not exceed 200 words

13. What is double entry system? What are its merits?
14. Write short note on: right issue of Shares and Redeemable preference share
15. Explain the terms "underwriting commission" and "redemption at premium".
16. Journalise the following :
- Paid cash to Haris Rs. 6,000
 - Cash sales to Rs. 8,000
 - Sold goods to selvan on credit Rs. 15,000
 - Received cash from muthu Rs. 2,000
 - Salary paid Rs.7,500
17. A company acquired a machine on 1.1.2008 at a cost of Rs. 40,000 and spent Rs. 1,000 on its installation. The firm writes off depreciation at 10% on the diminishing balance. The books are closed on 31st December of each year. Show the Machinery account for three years.
18. Explain the sources of Long Term Finance.
19. The Beta Co., Ltd., has identified an investment project with the following cash flows. If the discount rate is 20 percent, what is the present value of these cash flows? What is the present value at 24 percent?

Year	Cash Flow(Rs.)
1	11,000
2	15,000
3	20,000

4	16,000
5	8,000

SECTION C

4 X 7 = 28 Marks

Question No. 20 is compulsory
 Answer any 3 out of 5 remaining questions
 Each answer should not exceed 500 Words

20. Describe the 'Internal' and 'External' users of accounting information and their requirements.

21. HP Ltd., has paid up equity capital 60,000 equity shares of Rs. 10 each. The current market price of share is Rs. 24. During the current year, the company has declared a dividend of Rs. 6 per share. The company has also previously issued 14% preference shares of Rs. 100 each aggregating Rs. 3,00,000 at 5% discount and 13% debentures of Rs. 100 each for Rs. 5,00,000. The corporate tax rate is 40% the growth rate in dividends on equity shares is expected at 5%. Calculate the Weighted Average Cost of Capital of the Company.

22. Explain in detail the determinants of working capital.

23. Average capital employed of K Ltd., is Rs. 35,00,000 whereas net trading profit before tax for the last three years have been Rs. 14,75,000, Rs. 14,55,000 and Rs. 15,25,000. In these three years, the managing director was paid a salary of Rs. 10,000 p.m. But now he would be paid a salary of Rs. 12,000 p.m. Normal rate of return expected in the industry in which K Ltd., is engaged is 18%. Rate of tax is 50%. Calculate goodwill on the basis of three years' purchase of the super profits.

24. Prepare trading, P&L and Balance sheet as at 31.03.2018.

Trail Balance by XYZ Enterprises:-

	Dr(Rs)	Cr(Rs)
Capital		15,00,000
Land & Building	10,00,000	
Plant & Machinery	14,00,000	
S.Debtors	16,00,000	
Sales		40,00,000
Purchase	12,00,000	
Wages	3,00,000	
Salary	4,00,000	
Op. Stock	6,00,000	
Administrative Expenses	5,50,000	
Printing & Stationery	4,50,000	
SBI Loan		20,00,000
S.Creditors		3,00,000
B/P		2,00,000
Other Current Liabilities		3,00,000
Cash at Bank	5,00,000	
Cash in Hand	3,00,000	
	83,00,000	83,00,000

- a. Closing stock estimate Rs 4,50,000
- b. Depreciation land and Building - 10%
Plant and Machinery - 20%

25. What is Capital structure? Discuss the various determinants of capital structure.
