INDIAN MARITIME UNIVERSITY

(A Central University, Government of India)

END SEMESTER EXAMINATIONS- JUNE 2019

SEMESTER-I

M.B.A(Port and Shipping Management/International Transportation and Logistics Management**)**

Financial Accounting and Management

(PG21T2103 / PG22T2103)

Date:19-06-2019	**Max Marks: 60**
Time:3Hrs	**Pass Marks: 30**

PART – A

(Answer all the Questions) 12 x 1 = 12

1. A Ledger
    a. records all transactions relating to a particular Account at one place
    b. only cash transactions
    c. records all business transactions on a monthly basis
    d. records only important business transactions

2. A Journal is
    a. a book of original entry
    b. a book of double entry
    c. a book of duplicate entry
    d. a book of summarized entries

3. A credit balance in the Capital Account indicates
    a. A liability
    b. An income
    c. An expense
    d. An asset

4. In case of Bad Debt, the amount should be debited to
    a. Bad debt Account
    b. Customer Account
    c. Sales Account
    d. Discount Account

5. Leasing of machinery can be categorized as
    a. Investment decision
    b. Financing decision
    c. Capital budgeting decision
    d. Production decision

6. The term current asset does not include
   a. Land
   b. Debtors
   c. Stock –in- trade
   d. Prepaid expense

7. The term Financial Statement covers
   a. Profit & Loss Account
   b. Profit & Loss Account and Balance Sheet
   c. Balance Sheet
   d. Profit & Loss Account , Balance Sheet & Cash Flow Statement

8. The ultimate purpose of Financial Management is
   a. Sales Maximization
   b. Profit Maximization
   c. Asset Maximization
   d. Wealth Maximization

9. Cost of Capital is
   a. The maximum rate of return
   b. The minimum rate of return
   c. An item of loss
   d. An income

10. Depreciation involves
    a. Cash outlay
    b. Book entry
    c. Addition to assets
    d. Reduction in liabilities

11. The cost of debt capital is calculated on the basis of
    a. Net proceeds
    b. Capital
    c. Income
    d. Annual Interest

12. The concept of Present Value is based on
    a. Principle of Compounding
    b. Principle of Discounting
    c. Principle of both Compounding & Discounting
    d. Principle of Trend Analysis

PART – B

Answer any five out of seven 5 x 4 = 20

13. State the main concepts, conventions and assumptions of Financial Accounting.

14. From the following information calculate the value of a share of Rs 10/- on (a) yield on capital employed basis; (b) dividend basis, the market expectation being 12%

Year	Capital Employed(RS)	Profit (Rs)	Dividend (%)
1	5,00,000	80,000	12
2	8,00,000	1,60,000	15
3	10,00,000	2,20,000	18
4	15,00,000	3,75,000	20

15. (a) What are the main limitations of Financial Statements ?
 (b) State the important methods of analyzing Financial Statements.

16. What are the basic considerations that management of a Company should bear in mind while framing a sound dividend policy?

17. (a) Explain the concept of Working Capital.
 (b) What are the various factors that influence the amount of Working Capital requirements of a Company ?

18. (a) Explain the term Cost of Capital.
 (b) How Cost of Capital influences financial planning of a Company?

19. (a)State the basic difference between Net Present Value (NPV) method and Internal Rate of Return (IRR) method of evaluating Capital Investment proposals.

(b) From the following information, calculate the NPV and Profitability Index (PI) of Project A and Project B :

	Project A	Project B
P V of Cash inflow (Rs)	2,00,000	1,00,000
Initial Cash outflow (Rs)	1,00,000	40,000

PART – C

(Question No.20 is compulsory and answer any three questions to be answered from the remaining) 4 x 7 = 28

20. What are the essential factors that should be kept in view while appraising a project during inflationary conditions?

21. Following information are available from the books of a Company:

Year	Average Net worth (Rs)	Profit (after Tax Adjustment) (Rs)
1	18,50,000	1,80,000
2	21,20,000	2,00,000
3	21,30,000	2,30,000

The Company has Rs 10,00,000 worth of equity shares of Rs 100/- each and Rs 3,00,000 worth of 9% Preference shares of Rs 100/- each. The Company has investment worth of Rs 2,50,000(at market value) on the valuation date . The Company has set aside 25% of the taxed profit for certain developmental purposes .On the valuation date , the net worth amounts to Rs 22,00,000.The normal rate of return is expected at 9%. The Company paid dividends consistently within a range of 8% to 10% on equity shares and wants to maintain the trend.

Calculate the value of the shares on the basis of productivity criterion.

22. From the following information , prepare a Profit & Loss Account for the year ended 31.3.18 and Balance Sheet as at 31.3 18 of PQR Ltd as per Schedule III to the Companies Act , 2013.

Total Revenue from operation : Rs 10088.80 lakhs ; Total Expenses : Rs 8035.57 lakhs; Tax Expenses (Net) : Rs 517.49 lakhs ;
Share Capital : Rs 1510 lakhs ; Reserves & Surplus (Accumulated Balance) : Rs 25823.09 lakhs; Non Current Liabilities (Deferred Tax Liability – Net) : Rs 2386.25; Current liabilities : Rs 3543.74 lakhs which comprises Short term Provision : Rs 818.11 lakhs and Other Current Liabilities : Rs 2725.63.
Fixed Assets (Net) : 11746.83 lakhs ; Non- current Investments : Rs 9687.37 lakhs; Long term Loans & Advances : Rs 277.41 lakhs.
Current Assets amounts to Rs 11551.47 lakhs which comprises Inventories : Rs 178.39lakhs, Trade Receivables : Rs 2167.61 lakhs , Cash & Bank balance: Rs 241.26 lakhs , Short term Loans & Advances: Rs 1529.21 lakhs and the balance amount (under Current Assets) comprises Current Investments.

23. Following six investments are given for appraisal :

Project	Investment (Rs)	Cash in Flow (Rs)		
		Year 1	Year 2	Year 3
A	10,000	10,000	5,000	5,000
B	10,000	5,000	5,000	5,000
C	10,000	2,000	4,000	12,000
D	10,000	10,000	3,000	3,000
E	10,000	6,000	4,000	5,000
F	10,000	8,000	8,000	2,000

Evaluate the above projects under (a) Pay back method ; (b) Average Annual Rate of Return Method ; (c) Net Present Value Method and (d) Internal Rate of Return Method

24. From the following details you are required to make an assessment of the Working Capital requirement of Hindustan Ltd

Particulars	Average Credit Period	Estimate for the 1st Year (Rs)
Purchase of Materials	6 Weeks	26,00,000
Wages	1.5 Weeks	19,50,000
Rent , Rates, etc.	6 Months	1,00,000
Salaries	1 Month	8,00,000
Other Expenses	2 Months	7,50,000
Sales	Cash	2,00,000
Credit Sales	2 Months	60,00,000
Average Stock and WIP	-	4,00,000

Assume that all income and expenses were made at an even manner during the year.

25. Capital structure of ABC Ltd is as follows:-

Particulars	Book Value (Rs)	Market Value(Rs)
Equity Share Capital	10,00,000	20,00,000
Retained Earnings	5,00,000	-
14 % Preference Capital	7,00,000	7,00,000
12% Debenture	6,00,000	6,00,000

After tax cost of capital of Equity shares is 18% ; Retained earnings 15%; Preference capital 14% and Debenture 8%.
Calculate the weighted average cost of capital (WAAC) of the Company.

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