

NEW
2018
Part-III 3-Tier
FINANCIAL MANAGEMENT
AND
MANAGEMENT ACCOUNTING

(Honours in Accounting & Finance)

PAPER—AH7

Full Marks : 100

Time : 4 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Group - A

(Financial Management)

[Marks : 45]

1. Answer any one question : 1×15
- (a) Explain the nature and scope of Financial Management. 8+7

(Turn Over)

- (b) What do you mean by lease financing? What are the different types of lease? Explain the advantages and disadvantages of lease financing? 2+1+6+6
- (c) (i) Calculate weighted average cost of capital by using the following information :

X Ltd. has the following capital structure :

	Rs.
Equity Share Capital (20,000 shares)	4,00,000
10% Preference Share Capital	1,00,000
14% Debentures	3,00,000
	8,00,000

The market price of each Equity Share is Rs. 20. It is expected that the company will pay a current dividend of Rs. 2 per share which will grow at 7% for ever. Rate of tax may be taken at 50%.

- (ii) You are also required to compute the weighted average cost of capital, if the company desires to raise additional fund of Rs. 2,00,000 by issue of 10% Debentures. This would result in increasing the expected dividend to Rs. 3 keeping the growth rate unchanged but the price of the share will fall to Rs. 15 per share.
- (iii) Define explicit and implicit cost of capital.

5+6+4

2. Answer any *three* questions :

3×8

(a) (i) Explain 'Relevance Concept of Dividend'.

(ii) Ascertain whether the dividend policy as per Walter's Model is optimum from the following particulars of Apex Ltd :

No. of shares (Rs. 10 each)	1,00,000
Total earnings	Rs. 2,50,000
Dividend paid	Rs. 2,00,000
P/E ratio	12

3+5

(b) (i) Make difference between Capital Structure and Financial Structure.

(ii) What are the assumptions of Capital Structure theories ?

(iii) Explain the term 'Arbitrage Process'.

2+4+2

(c) Following information are available from ATK Co. Ltd.

:

Capital Structure :	Rs.
5000 Equity Shares of Rs. 100 each	5,00,000
Reserve and Surplus	4,00,000
Current market price per share	Rs. 20
Current Tax Rate	50%
Additional Capital required	10,00,000
Expected profit before interest and taxes	5,00,000

The company is considering the following financing options :

- (i) 100% Equity Shares,
- (ii) 20% Debt and 80% Equity Shares,
- (iii) 80% Debt and 20% Equity Shares,
- (iv) 100% Debt.

Interest on Debt is 10%.

Calculate EPS for each alternative option. Also calculate the EBIT level where EPS of all the alternatives will be same. 4+4

- (d) What is the difference between owned capital and borrowed capital? 8

- (e) BV. Ltd. issued 10,000, 12% Preference Shares of Rs. 100 each at a premium of 6% ; the floatation cost being 2.5% on issue price. The shares are to be redeemed after 5 years at a premium of 5%. Compute cost of Preference Share Capital before and after adjusting dividend distribution tax. 4+4
- (f) Explain Net Operating Income Approach as given by David Durand. 8

3. Answer any *two* questions : 2×3

- (a) Evaluate the importance of time value of money.
- (b) What is Public Deposit? Discuss its merits.
- (c) Distinguish between Operating leverage and Financial leverage.
- (d) A company issues 2000, 10% Debentures of Rs. 1000 each at a discount of 5% repayable at a premium of 5% after 10 years. Corporate tax rate is 40%. Compute cost of debenture.
- (e) Calculate the present value of an annuity of Rs. 2000 received annually for 5 years at a discount factor of 5%.

Group - B*(Management Accounting)*

[Marks : 45]

4. Answer any one question : 1×15
- (a) Discuss the functions and limitations of Management Accounting. 8+7
- (b) What is meant by Accounting Ratio? Discuss its usefulness and limitations. 2+8+5
- (c) From the following information of ML Ltd. and Balance Sheets prepare a Cash Flow Statement for the year ended 31.12.2017 using AS-3 Provision Adjusted Method :

Balance Sheets of ML Ltd.
for the year ended 31.12.2016 and 31.12.2017

<i>Liabilities</i>	2016 Rs.	2017 Rs.	<i>Assets</i>	2016 Rs.	2017 Rs.
Equity Share Capital	1,00,000	1,42,000	Freehold Land	24,000	48,000
8% Preference Share Capital	80,000	80,000	Plant	1,80,000	2,88,000
Profit & Loss Account.	75,900	81,900	Sundry Debtors	84,000	84,000
			Stock-in-		

Liabilities	2016 Rs.	2017 Rs.	Assets	2016 Rs.	2017 Rs.
Creditors	1,15,000	1,01,000	Trade	1,32,000	48,000
Outstanding expenses	12,000	24,000	Prepaid Rent	1,800	2,400
Provision for Tax	6,000	6,600	Prepaid Insurance	2,100	2,100
Provision for Depreciation	60,000	66,000	Cash	30,000	36,000
Provision for Bad Debt	5,000	7,000			
	4,53,900	5,08,500		4,53,900	5,08,500

Other information :

- (i) The company declared and paid dividend on Preference Shares and Equity dividend of Rs. 30,000 during the year 2017.
- (ii) A plant costing Rs. 36,000 with accumulated depreciation of Rs. 24,000 was sold for Rs. 12,600.
- (iii) Bad Debts during the year amounted to Rs. 8,000.

5. Answer any *three* questions : 3×8

- (a) With the help of following information of GD Ltd. as on 31.12.17, prepare Trading Account, Profit & Loss Account and a Balance Sheet.

Gross Profit — Rs. 1,50,000 (25% on sales)

Equity Share Capital — Rs. 5,00,000

Long Term Debt to Fixed Assets — 1 : 5

Proprietors' Fund to Net Working Capital — 3 : 1

Operating Ratio — 5 : 6

Fixed Assets to Current Assets — 5 : 3

Stock Velocity — 9 times

Closing Stock is Rs. 10,000 more than opening stock.

Show your working properly. 2+2+4

- (b) From the following informations of EZEE Company Ltd. prepare a Working Capital Requirement Forecast Statement for the coming year 2018 :

Expected monthly sales of 32000 units at Rs. 10 per unit. The anticipated ratio of cost to selling price are :

Raw material — 40%, Labour — 30%, Budgeted overhead — Rs. 16,000 per week. Overhead expenses include depreciation of Rs. 4000 per week. Planned stock will include materials for Rs. 96,000 and 16000 units of finished goods.

Material will stay in process for 2 weeks, credit allowed to Debtors is 5 weeks, credit allowed by creditors is one month.

Lag in payment of overhead is 2 weeks.

25% of sales are on cash. Expected cash in hand to be maintained Rs. 25,000.

Assume production is carried on evenly throughout the year and wages and overheads accrue similarly. A time period of 4 weeks is equivalent to a month.

8

- (c) What is 'Fund Flow Statement'? Make difference between 'Cash Flow Statement' and 'Fund Flow Statement'. 2+6
- (d) Define Budgeting. Explain the advantages and disadvantages of Budgeting. 2+6
- (e) What is the difference between Management Accounting and Cost Accounting? 8

- (f) (i) Discuss briefly the NPV method and IRR method for evaluation of Projects.
- (ii) A new project cost Rs. 1,00,000 and is expected to generate annual net cash inflow of Rs. 72,000 and Rs. 57,000 over its life of 2 years. Calculate Internal Rate of Return of the Project.

4+4

6. Answer any *two* questions : 2×3

- (a) Explain different concepts of working capital.
- (b) Explain the benefits of Cash Budget.
- (c) From the following information calculate interest coverage ratio and comment :

Profits before interest and taxes	Rs. 1,00,000
Annual interest payment on debt capital	Rs. 20,000

- (d) Write a note on Budgetary Control.
- (e) Initial investment on a project is Rs. 1,20,000 and the expected cash inflows will be Rs. 22,000 ; Rs. 32,000 ; Rs. 40,000 ; Rs. 52,000 ; Rs. 76,000 for a period of 5 years. Calculate payback period of the project.

[Internal Assessment — 10 Marks]

বঙ্গানুবাদ

দক্ষিণ প্রান্তস্থ সংখ্যাগুলি প্রথমান নির্দেশক!

পরীক্ষার্থীদের যথাসম্ভব নিজের ভাষায় উত্তর দেওয়া প্রয়োজন।

বিভাগ—ক

(আর্থিক ব্যবস্থাপনা)

পূর্ণমান - ৪৫

- ১। যে কোন একটি প্রশ্নের উত্তর দাও : ১×১৫
- (ক) আর্থিক ব্যবস্থাপনার প্রকৃতি ও পরিধি ব্যাখ্যা কর। ৮+৭
- (খ) ইজারার মাধ্যমে অর্থসংস্থান বলতে কি বোঝ? ইজারা/লীজ কত প্রকারের? ইজারা বা লীজের মাধ্যমে অর্থসংস্থানের সুবিধা ও অসুবিধাগুলি ব্যাখ্যা কর। ২+১+৬+৬
- (গ) (i) নিম্নলিখিত তথ্যগুলি ব্যবহার করে মূলধনের ভারমুক্ত গড় ব্যয় নির্ণয় কর :

X Ltd. has the following capital structure :

	Rs.
Equity Share Capital (20,000 shares)	4,00,000
10% Preference Share Capital	1,00,000
14% Debentures	3,00,000
	8,00,000
	8,00,000

The market price of each Equity Share is Rs. 20. It is expected that the company will pay a current dividend of Rs. 2 per share which will grow at 7% for ever. Rate of tax may be taken at 50%.

- (ii) You are also required to compute the weighted average cost of capital, if the company desires to raise additional fund of Rs. 2,00,000 by issue of 10% Debentures. This would result in increasing the expected dividend to Rs. 3 keeping the growth rate unchanged but the price of the share will fall to Rs. 15 per share.

(iii) ব্যক্ত ও অব্যক্ত মূলধনের পরিব্যয়ের সংজ্ঞা দাও।

৫+৬+৪

২। যে কোন তিনটি প্রশ্নের উত্তর দাও :

৩×৮

(ক) (i) লভ্যাংশের প্রাসঙ্গিক ধারণাটি ব্যাখ্যা কর।

(ii) Walters Model অনুযায়ী লভ্যাংশ নীতি কাম্য কিনা তা Apex Ltd.-এর নিম্নলিখিত তথ্যগুলি থেকে নির্ধারণ কর :

No. of shares (Rs. 10 each)	1,00,000
Total earnings	Rs. 2,50,000
Dividend paid	Rs. 2,00,000
P/E ratio	12

৩+৫

(খ) (i) মূলধন কাঠামো এবং আর্থিক কাঠামোর মধ্যে পার্থক্য নিরূপণ কর।

(ii) মূলধন কাঠামো তত্ত্বের অনুমানগুলি কি কি?

(iii) 'Arbitrage Process' কথাটি ব্যাখ্যা কর। ২+৪+২

(গ) Following information are available from ATK Co. Ltd. :

Capital Structure :	Rs.
5000 Equity Shares of Rs. 100 each	5,00,000
Reserve and Surplus	4,00,000
Current market price per share	Rs. 20
Current Tax Rate	50%
Additional Capital required	10,00,000
Expected profit before interest and taxes	5,00,000

The company is considering the following financing options :

(i) 100% Equity Shares,

(ii) 20% Debt and 80% Equity Shares,

(iii) 80% Debt and 20% Equity Shares,

(iv) 100% Debt.

Interest on Debt is 10%.

Calculate EPS for each alternative option. Also calculate the EBIT level where EPS of all the alternatives will be same. 8+8

(ঘ) নিজস্ব মূলধন ও ঋনকৃত মূলধনের পার্থক্যগুলি কি কি? ৮

(ঙ) BV. Ltd. issued 10,000, 12% Preference Shares of Rs. 100 each at a premium of 6% ; the floatation cost being 2.5% on issue price. The shares are to be redeemed after 5 years at a premium of 5%. Compute cost of Preference Share Capital before and after adjusting dividend distribution tax. 8+8

(চ) David Durand কর্তৃক প্রবর্তিত নীট কার্যকর আয় তত্ত্বটি ব্যাখ্যা কর। ৮

৩। যে কোন দুইটি প্রশ্নের উত্তর দাও : ২×৩

(ক) সময় সাপেক্ষে অর্থের মূল্য-এর গুরুত্ব মূল্যায়ণ কর।

(খ) গণ আমানত বলতে কি বোঝ? এর সুবিধাগুলি ব্যাখ্যা কর।

(গ) কার্যকর লিভারেজ ও আর্থিক লিভারেজের পার্থক্য দেখাও।

- (ঘ) A company issues 2000, 10% Debentures of Rs. 1000 each at a discount of 5% repayable at a premium of 5% after 10 years. Corporate tax rate is 40%. Compute cost of debenture.
- (ঙ) Calculate the present value of an annuity of Rs. 2000 received annually for 5 years at a discount factor of 5%.

বিভাগ—খ

(পরিচালন হিসাবরক্ষণ)

পূর্ণমান - ৪৫

- ৪। যে কোন একটি প্রশ্নের উত্তর দাও : ১×১৫
- (ক) পরিচালন হিসাবরক্ষণের কার্যাবলী ও সীমাবদ্ধতা আলোচনা কর। ৮+৭
- (খ) হিসাব সংক্রান্ত অনুপাত বলতে কি বোঝায়? এর প্রয়োজনীয়তা ও সীমাবদ্ধতা আলোচনা কর। ২+৮+৫
- (গ) From the following information of ML Ltd. and Balance Sheets prepare a Cash Flow Statement for the year ended 31.12.2017 using AS-3 Provision Adjusted Method :

Balance Sheets of ML Ltd.
for the year ended 31.12.2016 and 31.12.2017

<i>Liabilities</i>	2016 Rs.	2017 Rs.	<i>Assets</i>	2016 Rs.	2017 Rs.
Equity Share Capital	1,00,000	1,42,000	Freehold Land	24,000	48,000
8% Preference Share Capital	80,000	80,000	Plant	1,80,000	2,88,000
Profit & Loss Account	75,900	81,900	Sundry Debtors	84,000	84,000
Creditors	1,15,000	1,01,000	Stock-in-Trade	1,32,000	48,000
Outstanding expenses	12,000	24,000	Prepaid Rent	1,800	2,400
Provision for Tax	6,000	6,600	Prepaid Insurance	2,100	2,100
Provision for Depreciation	60,000	66,000	Cash	30,000	36,000
Provision for Bad Debt	5,000	7,000			
	4,53,900	5,08,500		4,53,900	5,08,500

Other information :

- (i) 2017 সালে কোম্পানী প্রেফারেন্স শেয়ারের উপর ডিভিডেন্ড দিয়েছে ও ইকুইটি শেয়ারের উপর ডিভিডেন্ড দিয়েছে 30,000 টাকা।

(ii) 36,000 টাকা মূল্যের Plant যার সম্মিলিত অবচয়ের পরিমাণ 24,000 টাকা তা 12,600 টাকায় বিক্রয় করা হয়েছে।

(iii) সারা বছরে কু-খণের পরিমাণ 8,000 টাকা। ১৫

৫। যে কোন তিনটি প্রশ্নের উত্তর দাও : ৩×৮

(ক) 31.12.17 তারিখে প্রাপ্ত G. D. Ltd.-এর নিম্নলিখিত তথ্যগুলির সাহায্যে Trading Account, Profit & Loss Account এবং Balance Sheet তৈরী কর :

Gross Profit — Rs. 1,50,000 (25% on sales)

Equity Share Capital — Rs. 5,00,000

Long Term Debt to Fixed Assets — 1 : 5

Proprietors' Fund to Net Working Capital — 3 : 1

Operating Ratio — 5 : 6

Fixed Assets to Current Assets — 5 : 3

Stock Velocity — 9 times

Closing Stock is Rs. 10,000 more than opening stock.

Show your workings properly.

২+২+৪

- (२) From the following information of EZEE Company Ltd. prepare a Working Capital Requirement Forecast Statement for the coming year 2018 :

Expected monthly sales of 32000 units at Rs. 10 per unit. The anticipated ratio of cost to selling price are :

Raw material — 40%, Labour — 30%, Budgeted overhead — Rs. 16,000 per week. Overhead expenses include depreciation of Rs. 4000 per week. Planned stock will include materials for Rs. 96,000 and 16000 units of finished goods.

Material will stay in process for 2 weeks, credit allowed to Debtors is 5 weeks, credit allowed by creditors is one month.

Lag in payment of overhead is 2 weeks.

25% of sales are on cash. Expected cash in hand to be maintained Rs. 25,000.

Assume production is carried on evenly throughout the year and wages and overheads accrue similarly. A time period of 4 weeks is equivalent to a month.

✓

- (গ) তহবিল প্রবাহ বিবরণী বলতে কি বোঝায়? তহবিল প্রবাহ বিবরণী এবং অর্থ প্রবাহ বিবরণীর মধ্যে পার্থক্য নিরূপণ কর। ২+৬
- (ঘ) বাজেট রচনা বলতে কি বোঝায়? বাজেট রটনার সুবিধা ও অসুবিধাগুলি ব্যাখ্যা কর। ২+৬
- (ঙ) পরিচালন হিসাবরক্ষণ ও পরিব্যয় হিসাবরক্ষণের পার্থক্যগুলি কি কি? ৮
- (চ) (i) প্রকল্প মূল্যায়নের ক্ষেত্রে NPV method এবং IRR method-গুলি সংক্ষেপে আলোচনা কর।
- (ii) A new project cost Rs. 1,00,000 and is expected to generate annual net cash inflow of Rs. 72,000 and Rs. 57,000 over its life of 2 years. Calculate Internal Rate of Return of the Project. 8+8
- ৬। যে কোন দুইটি প্রশ্নের উত্তর দাও : ২×৩
- (ক) কার্যকরী মূলধনের বিভিন্ন ধারণাগুলি ব্যাখ্যা কর।
- (খ) আর্থিক বাজেটের সুবিধাগুলি আলোচনা কর।

- (গ) নিম্নলিখিত তথ্যগুলি থেকে Interest Coverage Ratio নির্ণয় কর এবং মতামত দাও :

Profit before interest and taxes	Rs. 1,00,000
Annual interest payment on debt capital	Rs. 20,000

- (ঘ) বাজেটমূলক নিয়ন্ত্রণের উপর টীকা লেখ।
- (ঙ) Initial investment on a project is Rs. 1,20,000 and the expected cash inflows will be Rs. 22,000 ; Rs. 32,000 ; Rs. 40,000 ; Rs. 52,000 ; Rs. 76,000 for a period of 5 years. Calculate payback period of the project.

[অভ্যন্তরীণ মূল্যায়ণ — ১০ নম্বর]
