

2019

Part-III

**FINANCIAL MANAGEMENT
AND
MANAGEMENT ACCOUNTING**

(Honours in Accounting & Finance)

PAPER—AH-7

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) Define Financial Management. Explain the objectives of Financial Management. 3+12

(Turn Over)

- (b) What are different sources of capital ? Explain any two sources with their advantage and limitation.

3+6+6

- (c) (i) Define the term Indifference Point.

- (ii) BT Ltd. has only Rs. 10,00,000 equality share capital of Rs. 100 per share in its capital structure. The company needs another Rs. 10,00,000 for its expansion scheme. It has the following two alternative financial plans :

Plan I : Issue equity shares only (Rs. 100 each)

Plan II : Issue 10% Debenture of Rs. 10,00,000

Corporate tax rate is 40%

Compute :

(a) Indifference Point.

(b) EPS.

(c) If the EBIT is 25% above indifference point, then which plan will be better ?

2+4+4+5

2. Answer any *three* questions :

3×8

- (a) Make difference between Equity Share and Preference Share.

8

- (b) From the following information of TC Ltd. Calculate Cost of Equity and Cost of Debenture :

- (i) Equity Shares are quoted in the market at Rs. 20 and the company pays a dividend of Re 1 per share. The investors' market expects a growth rate of 5% per year.

- (ii) 10% Debentures are issued at a discount of 10% of Rs. 10,000 to be redeemed after 10 years at a premium of 10%. The company is in the tax bracket of 35%. 4+4
- (c) What are the differences between operating lease and financial lease? 8
- (d) (i) State the assumptions of Gordon's Model of Dividend Policies.
- (ii) From the following informations calculate market price of share by using Gordon's Model :
- | | |
|----------------------------|--------------|
| Total investment in assets | Rs. 5,00,000 |
| No. of shares | 25,000 |
| Total earnings | Rs. 1,00,000 |
| Cost of capital | 16% |
| Dividend payout ratio | 40% |
- 4+4
- (e) Explain NI (Net Income) Approach as given by David Durand. 8
- (f) (i) Define 'Time Value' of money.
- (ii) Mr. AG has at present Rs. 1,00,000 in his hand. For investment purposes two options are available to him :
- Option I : Invest @ 9% p.a. compounded half-yearly for 7 years.

Option II : Invest @ 9.5% p.a. compounded yearly for 7 years.

Which option should he choose ? 2+6

3. Answer any *two* questions : 2×3

(a) Define the terms Levered firm and Unlevered firm.

(b) What is convertible debenture ?

(c) CD Ltd. issues 15% Redeemable Preference Shares of Rs. 100 each. Preference shares are repayable after 10 years. Floation cost is 5%. Compute cost of Preference Shares, if the shares are issued at par but redeemed at a premium of 10%.

(d) From the following information calculate sales :

DOL = 2, DFL = 3, Interest, — Rs. 3,00,000

Contribution — 40% of sales.

(e) Make difference between Explicit Cost and Implicit Cost.

Group - B

(Management Accounting)

[Marks : 45]

4. Answer any one question : 1×15

(a) Discuss the objective and scope of Management Accounting. 8+7

- (b) From the following information of DS Ltd. and Balance Sheets. Prepare (i) a statement showing change in working capital and (ii) Fund Flow Statement for the year ended 31.12.2018 :

Balance Sheets of DS Ltd.
for the year ended 31.12.2017 and 31.12.2018

Liabilities	2017 Rs.	2018 Rs.	Assets	2017 Rs.	2018 Rs.
Equity Share Capital	1,20,000	1,80,000	Goodwill	25,000	20,000
6% Redeemable Preference Share Capital	50,000	30,000	Land & Building	80,000	70,000
General Reserve	12,000	15,000	Plant & Machinery	40,000	65,000
Capital Reserve	2,000	16,000	Trade Investment	4,000	49,000
Profit & Loss A/c	7,200	12,000	Stock	30,000	40,000
Sundry Creditors	10,000	20,000	Sundry Debtors	28,000	34,000
Bills Payable Outstanding	5,000	4,000	Bills Receivable	15,000	28,000
Liabilities	2,000	1,000	Cash	7,200	10,000
Provision for Tax	12,000	20,000	Preliminary Expenses	7,000	4,000
Proposed Dividend	16,000	22,000			
	2,36,200	3,20,000		2,36,200	3,20,000

Other particulars :

- (i) Depreciation written off on Plant & Machinery for the year 2018 is Rs. 6,000. During the year a machinery, the book value of which was Rs. 12,000 was sold for Rs. 9,000.
- (ii) No depreciation had been charged on Land & Building. Profit earned on sale of a plot of land for Rs. 24,000 was transferred to Capital Reserve.

- (iii) Dividend distributed during the year amounted to Rs. 14,000. 5+10

(c) (i) What is Budget ?

(ii) Discuss the importance of Budgetary control.

(iii) What are the key factors to be taken into consideration while preparing a budget ?

2+5+8

5. Answer any *three* questions :

3×8

(a) The management of JKS Ltd. has called for a statement showing the working capital needed to finance a level of activity of 3,00,000 units of output for the year. The cost structure per unit for the company's product is given below :

Raw Materials — Rs. 20 ; Direct Labour — Rs. 5 ;
Overheads — Rs. 15 ; Profit — 25% on cost.

Past trends indicate that raw materials are held in stock on an average for 2 months. Processing time will be half a months.

Finished goods remain in store for a month. Suppliers of material extends one month credit whereas two months credit is allowed to debtors. Lag in payment of wage and overhead is $\frac{1}{4}$ month (one week). A minimum cash balance of Rs. 25,000 is expected to be maintained. 40% of sales are in cash and production is carried on evenly throughout the year.

Prepare a statement showing of working capital requirement of JKS Ltd.

8

- (b) With the help of following information as provided by SD Ltd. prepare a Balance Sheet on 31.12.18.

Fixed Assets — Rs. 6,00,000 ; Working Capital — Rs. 4,00,000 ; Working Capital Ratio — 2 ; Fixed Assets Turnover Ratio — 4 ; Gross Profit Ratio — 25% ; Debtors' Turnover — 1.5 months ; Creditors' Turnover — 2 months ; Stock Turnover — 2 months ; Net Profit Ratio — 5% ; Reserve — $\frac{2}{3}$ of Net Profit ; Capital Gearing Ratio — 1:1 (using long term loan). 8

- (c) What are the differences between Financial Accounting and Management Accounting ? 8

- (d) Worship Ltd. can make either of the two investments at the beginning of 2019. Assume a required rate of return of 10% p.a. The particulars relating to the projects are given below :

	Project I Rs.	Project II Rs.
Initial outlay	40,000	56,000
Estimated life	5 years	5 years
Scrap value	NIL	NIL
Net cash flows at the end of		
2019	8,000	15,000
2020	10,000	17,500
2021	12,000	15,000
2022	18,000	15,000
2023	10,000	15,000
Additional working capital	2,000	2,000

Working capital return back
at the end of Project life 2,000 2,000

Present value of Re 1 to be received at the end of each
year at 10% p.a. is given below :

Year	1	2	3	4	5
P.V.	.909	.827	.751	.683	.621

Using the Present Value method evaluate the
projects. 8

(e) Write a note on the following :

(i) Zero base Budget,

(ii) Different concepts of working capital. 4+4

(f) What is 'Accounting Ratio'? Describe the uses of the
accounting ratio to management, investors and
creditors. 2+6

6. Answer any *two* questions : 2×3

(a) 'Is Depreciation a source of fund'? Discuss.

(b) What is inter firm comparison ?

(c) State the concept of flexible budget.

(d) Why payback period method is used though it has
some shortcomings?

(e) P. Co. invests Rs. 20,00,000 in a project. The scrap
value after its useful life 7 years is over, estimated

to be Rs. 2,00,000. Earning after tax (Rs. in lakhs) are :

Year	1	2	3	4	5	6	7
Earnings after Tax (Rs.)	2	2.3	1.9	2.5	3.0	2.2	4.0

Compute ARR (Accounting Rate of Return).

[Internal Assessment — 10 Marks]

বঙ্গানুবাদ

দক্ষিণ প্রান্তস্থ সংখ্যাগুলি প্রশ্নমান নির্দেশক।

পরীক্ষার্থীদের যথাসম্ভব নিজের ভাষায় উত্তর দেওয়া প্রয়োজন।

বিভাগ—ক

(আর্থিক ব্যবস্থাপনা)

পূর্ণমান - ৪৫

- ১। যেকোনো একটি প্রশ্নের উত্তর দাও : ১×১৫
- (ক) আর্থিক ব্যবস্থাপনা কাকে বলে? আর্থিক ব্যবস্থাপনার উদ্দেশ্যগুলি ব্যাখ্যা কর। ৩+১২
- (খ) মূলধনের বিভিন্ন উৎসগুলি কি কি? যেকোনো দুটি উৎসের সুবিধা ও অসুবিধাসহ ব্যাখ্যা কর। ৩+৬+৬
- (গ) (i) নিরপেক্ষ বিন্দু কাকে বলে?
- (ii) BT Ltd. has only Rs. 10,00,000 equality share

capital of Rs. 100 per share in its capital structure. The company needs another Rs. 10,00,000 for its expansion scheme. It has the following two alternative financial plans :

Plan I : Issue equity shares only (Rs. 100 each)

Plan II : Issue 10% Debenture of Rs. 10,00,000.

Corporate tax rate is 40%

Compute :

(a) Indifference Point.

(b) EPS.

(c) If the EBIT is 25% above indifference point, then which plan will be better ?

২+৪+৪+৫

২। যেকোনো তিনটি প্রশ্নের উত্তর দাও :

৩×৮

(ক) ইকুইটি শেয়ার এবং প্রেফারেন্স শেয়ারের মধ্যে পার্থক্য নিরূপণ কর।

(খ) From the following information of TC Ltd. Calculate Cost of Equity and Cost of Debenture :

(i) Equity Shares are quoted in the market at Rs. 20 and the company pays a dividend of Re 1 per share. The investors' market expects a growth rate of 5% per year.

(ii) 10% Debentures are issued at a discount of 10% of Rs. 10,000 to be redeemed after 10 years at a premium of 10%. The company is in the tax bracket of 35%.

৪+৪

- (গ) কার্যকরি ইজারা এবং আর্থিক ইজারার মধ্যে পার্থক্য কি কি?
- (ঘ) (i) লভ্যাংশ নীতির ক্ষেত্রে গর্ডন মডেলের অনুমানগুলি বিবৃত কর।
(ii) From the following informations calculate market price of share by using Gordon's Model :
- | | |
|----------------------------|--------------|
| Total investment in assets | Rs. 5,00,000 |
| No. of shares | 25,000 |
| Total earnings | Rs. 1,00,000 |
| Cost of capital | 16% |
| Dividend payout ratio | 40% |
- 8+8

(ঙ) ডেভিড ডুরান্ড দ্বারা প্রদত্ত NI (Net Income) ধারণাটি ব্যাখ্যা কর।

- (চ) (i) অর্থের সময় মূল্যের সংজ্ঞা দাও।
(ii) Mr. AG has at present Rs. 1,00,000 in his hand. For investment purposes two options are available to him :
- Option I : Invest @ 9% p.a. compounded half-yearly for 7 years.
- Option II : Invest @ 9.5% p.a. compounded yearly for 7 years.

Which option should he choose? ২+৬

৩। যেকোনো দুইটি প্রশ্নের উত্তর দাও :

২×৩

- (ক) Levered firm এবং Unlevered firm কাকে বলে?
- (খ) পরিবর্তন যোগ্য ঋণপত্র বলতে কি বোঝ?
- (গ) CD Ltd. issues 15% Redeemable Preference Shares of Rs. 100 each. Preference shares are repayable after 10 years. Floation cost is 5%. Compute cost of Preference Shares, if the shares are issued at par but redeemed at a premium of 10%.
- (ঘ) নিম্নলিখিত তথ্যগুলি থেকে বিক্রয়মূল্য নির্ধারণ কর :
DOL = 2, DFL = 3, Interest — Rs. 3,00,000
Contribution — 40% of sales.
- (ঙ) ব্যক্ত এবং অব্যক্ত পরিব্যয়ের মধ্যে পার্থক্য দেখাও।

বিভাগ—খ

(পরিচালন হিসাবরক্ষণ)

পূর্ণমান - ৪৫

৪। যেকোনো একটি প্রশ্নের উত্তর দাও :

১×১৫

- (ক) পরিচালন হিসাবরক্ষণের উদ্দেশ্য এবং পরিধি আলোচনা কর।

৪+৭

- (খ) From the following information of DS Ltd. and Balance Sheets. Prepare (i) a statement showing change in working capital and (ii) Fund Flow Statement for the year ended 31.12.2018 :

Balance Sheets of DS Ltd.
for the year ended 31.12.2017 and 31.12.2018

Liabilities	2017 Rs.	2018 Rs.	Assets	2017 Rs.	2018 Rs.
Equity Share Capital	1,20,000	1,80,000	Goodwill	25,000	20,000
6% Redeemable Preference Share Capital	50,000	30,000	Land & Building	80,000	70,000
General Reserve	12,000	15,000	Plant & Machinery	40,000	65,000
Capital Reserve	2,000	16,000	Trade Investment	4,000	49,000
Profit & Loss A/c	7,200	12,000	Stock	30,000	40,000
Sundry Creditors	10,000	20,000	Sundry Debtors	28,000	34,000
Bills Payable	5,000	4,000	Bills Receivable	15,000	28,000
Outstanding Liabilities	2,000	1,000	Cash	7,200	10,000
Provision for Tax	12,000	20,000	Preliminary Expenses	7,000	4,000
Proposed Dividend	16,000	22,000			
	2,36,200	3,20,000		2,36,200	3,20,000

Other particulars :

- (i) Depreciation written off on Plant & Machinery for the year 2018 is Rs. 6,000. During the year a machinery, the book value of which was Rs. 12,000 was sold for Rs. 9,000.
- (ii) No depreciation had been charged on Land & Building. Profit earned on sale of a plot of land for Rs. 24,000 was transferred to Capital Reserve.
- (iii) Dividend distributed during the year amounted to Rs. 14,000. ৫১০

(গ) (i) বাজেট কাকে বলে?

(ii) বাজেটমূলক নিয়ন্ত্রণের গুরুত্ব আলোচনা কর।

(iii) বাজেট রচনার ক্ষেত্রে কোন কোন অপরিহার্য উপাদান বিবেচনা করা হয়? ২+৫+৮

৫। যেকোনো তিনটি প্রশ্নের উত্তর দাও : ৩×৮

(ক) The management of JKS Ltd. has called for a statement showing the working capital needed to finance a level of activity of 3,00,000 units of output for the year. The cost structure per unit for the company's product is given below :

Raw Materials — Rs. 20 ; Direct Labour — Rs. 5 ;
Overheads — Rs. 15 ; Profit — 25% on cost.

Past trends indicate that raw materials are held in stock on an average for 2 months. Processing time will be half a months.

Finished goods remain in store for a month. Suppliers of material extends one month credit whereas two months credit is allowed to debtors. Lag in payment of wage and overhead is $\frac{1}{4}$ month (one week). A minimum cash balance of Rs. 25,000 is expected to be maintained. 40% of sales are in cash and production is carried on evenly throughout the year.

Prepare a statement showing of working capital requirement of JKS Ltd. ৮

(খ) With the help of following information as provided by SD Ltd. prepare a Balance Sheet on 31.12.18.

Fixed Assets — Rs. 6,00,000 ; Working Capital — Rs. 4,00,000 ; Working Capital Ratio — 2 ; Fixed Assets Turnover Ratio — 4 ; Gross Profit Ratio — 25% ; Debtors' Turnover — 1.5 months ; Creditors'

Turnover — 2 months ; Stock Turnover — 2 months; Net Profit Ratio — 5% ; Reserve — $\frac{2}{3}$ of Net Profit; Capital Gearing Ratio — 1:1 (using long term loan). b

(গ) আর্থিক হিসাবরক্ষণ এবং পরিচালন হিসাবরক্ষণের মধ্যে পার্থক্য কি? b

(ঘ) Worship Ltd. can make either of the two investments at the begining of 2019. Assume a required rate of return of 10% p.a. The particulars relating to the projects are given below :

	Project I Rs.	Project II Rs.
Initial outlay	40,000	56,000
Estimated life	5 years	5 years
Scrap value	NIL	NIL
Net cash flows at the end of		
2019	8,000	15,000
2020	10,000	17,500
2021	12,000	15,000
2022	18,000	15,000
2023	10,000	15,000
Additional working capital	2,000	2,000
Working capital return book at the end of project life	2,000	2,000

Present value of Re 1 to be received at the end of each year at 10% p.a. is given below :

Year	1	2	3	4	5
P.V.	.909	.827	.751	.683	.621

Using the Present Value method evaluate the projects. ৮

- (ঙ) নিম্নলিখিত বিষয়গুলির উপর টীকা লেখ :
- (i) Zero base Budget,
(ii) চলতি মূলধনের বিভিন্ন ধারণা। ৪+৪
- (চ) হিসাব সংক্রান্ত অনুপাত কাকে বলে? ব্যবস্থাপক, বিনিয়োগকারী এবং উত্তমর্গদের কাছে হিসাব সংক্রান্ত অনুপাতের ব্যবহারগুলি আলোচনা কর। ২+৬

৬। যেকোনো দুইটি প্রশ্নের উত্তর দাও : ২×৩

- (ক) “অবচয় কি তহবিলের উৎস?” ব্যাখ্যা কর।
(খ) ফার্মগুলির মধ্যে তুলনা বলতে কি বোঝ?
(গ) পরিবর্তনশীল বাজেটের ধারণাটি আলোচনা কর।
(ঘ) কিছু ক্রটি থাকা সত্ত্বেও প্রত্যার্ণকাল পদ্ধতি কেন ব্যবহৃত হয়?
(ঙ) P. Co. invests Rs. 20,00,000 in a project. The scrap value after its useful life 7 years is over, estimated to be Rs. 2,00,000. Earning after tax (Rs. in lakhs) are :

Year	1	2	3	4	5	6	7
Earnings after Tax (Rs.)	2	2.3	1.9	2.5	3.0	2.2	4.0

Compute ARR (Accounting Rate of Return).

[অভ্যন্তরীণ মূল্যায়ণ — ১০ নম্বর]