

INDIAN MARITIME UNIVERSITY
(A Central University, Govt of India)
End Semester Examinations – June 2023

Programme: MBA (PSM/ITLM)

Semester: I

Subject Code: PG21/22T3102

Subject: Accounting for Managers

Date: 07.06.2023	Max Marks: 60
Duration: 03 Hours	Pass Marks: 30

General Instructions

All Sections (A, B & C) are to be attempted.
Options, if any, are specified in respective section.

Section A

Ten MCQs/Fill in the Blanks of 01 Mark each

Choose the correct answer as applicable.

1. The profit of a business may be calculated by using which one of the following formulae?
 - a. Opening capital – drawings + capital introduced – closing capital.
 - b. Closing capital + drawings – capital introduced – opening capital.
 - c. Opening capital + drawings – capital introduced – closing capital.
 - D. Closing capital – drawings + capital introduced – opening capital.
2. Which *one* of the following statements is correct?
 - a. Assets and liabilities normally have credit balances.
 - b. Liabilities and revenues normally have debit balances.
 - c. Assets and revenues normally have credit balances.
 - d. Assets and expenses normally have debit balances.
3. Dividend is
 - a. Charge against profit
 - b. Part of current liability
 - c. Appropriation of profit
 - d. Appropriation of capital
4. Which of the following has an implicit cost of capital?
 - a. Equity share capital
 - b. Retained earnings
 - c. Debentures
 - d. Hybrid capital
5. The term Net worth means
 - a. Paid up share capital
 - b. Paid up share capital plus reserves & surplus

- c. Paid up share capital plus reserves & surplus less accumulated losses (if any)
 - d. Net profit plus net current assets
6. Stock dividend is also known as _____.
- a. Script dividend
 - b. Bonus shares
 - c. Rights shares
 - d. Proprietary Dividend
7. Companies may adopt an aggressive or a conservative working capital policy. An aggressive policy means that a company
- a. faces a low level of risk
 - b. holds high levels of cash and inventories
 - c. has a low level of flexibility
 - d. expects a lower level of profitability
8. The market value of a firm is the result of
- a. Dividend decisions
 - b. Working capital decisions
 - c. Capital budgeting decisions
 - d. Trade-off between cost and risk
9. Excess working capital results in
- a. Blocking of cash
 - b. losing interests
 - c. Lack of production
 - d. Low revenue
10. According to Walter, the dividend pay-out does not affect the price of the share if
- a. $r > k$
 - b. $r = k$
 - c. $r < k$
 - d. None of these

Section B

Five Questions of 02 Marks each

11. Write about the significance of accounting equation.
12. Calculate the payback period for the following investment proposal.

Year	Cashflows
0	-45,000
1	18,000
2	24,000
3	36,000
4	42,000

13. What is 'Tax Shield' and how is it important in financing decision?
14. State *four* factors that influence the amount of Working Capital requirements of a Company.
15. What are the various types of dividends?

Section C

Seven Questions of 08 Marks each of which any 05 questions to be answered.

16. Following information are available from the books of two Companies:

4+4= 8 Marks

Particulars	XYZ Ltd	ABC Ltd
Equity capital	Rs 5,00,000	Rs 3,00,000
5% debentures	-	Rs 2,00,000

Profit before Interest & Tax for both the Companies is Rs 50,000.

Calculate: (a) cost of equity capital of the two companies and (b) overall cost of capital, assuming tax rate of 30%.

17. From the following details you are required to make an *assessment of the Working Capital requirement* of XZ Ltd.:

8 Marks

Particulars	Average Credit Period	Estimate for 1 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 are made at an even manner during the year and a year comprises 52 weeks

18. Following figures relate to two Companies:

2+2+2+2 = 8 Marks

Particulars	P Ltd (Rs)	Q Ltd (Rs)
Sales	500	1000
Variable Costs	200	300
Contribution	300	700
Fixed costs	150	400
EBIT	150	300
Interest	50	100
Earnings before Tax (EBT)	100	200

Calculate: (a) *Operating Leverage* (b) *Financial Leverage* (c) *Combined Leverage* of the two Companies. (d) Give your *comments* on them.

19. XYZ Ltd. is considering two additional mutually exclusive projects. The after-tax cash flows associated with these projects are as follows: **8 Marks**

Year	Project A	Project B
0	100,000	100,000
1	32,000	0
2	32,000	0
3	32,000	0
4	32,000	0
5	32,000	200,000

The required rate of return on these projects is 11%.
Calculate the NPV and IRR of both the projects and comment.

20. The earnings per share of a company are Rs. 80 and the rate of capitalization applicable to the company is 12%. The company has before it an option of adopting a payment ratio of 25% (or) 50% (or) 75%. Using Walter's formula of dividend payout, compute the market value of the company's share of the productivity of retained earnings (i) 12% (ii) 8% (iii) 5%. **8 Marks**

21. "Financial statements are a reflection of the financial position of a company."
Discuss the format and contents of financial statements. **8 Marks**

22. Discuss various *factors* that should be taken into consideration while framing Dividend Policy of an organization. **8 Marks**
