

Indian Maritime University
(A Central University, Govt of India)
End Semester Examinations – December 2023
Programme Name: MBA(ITL/PSM)
Semester: I
Subject Code: PG22T3102
Subject Name: ACCOUNTING FOR MANAGERS

Date: 18.12.2023

Max Marks: 60

Duration: 03 Hrs

Pass Marks: 30

General Instructions

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

Section A

Choose the correct answer as applicable. (10 x 1 Mark= 10 Marks)

1. In the accrual system of accounting, an income is recorded _____.
 - a. when it is due
 - b. when it is received in cash
 - c. when it is deposited in the bank
 - d. None of the above
2. Which of the following items is NOT debited to the trading account?
 - a. wages paid
 - b. purchase of raw material
 - c. carriage inward
 - d. office rent paid
3. The book of original entry for recording business transactions is named -
 - a) Ledger;
 - b) Journal;
 - c) Account book;
 - d) Record book.
4. The Purchase Journal is meant for recording-
 - a) Cash purchases;
 - b) Credit purchases;
 - c) Asset purchases;
 - d) None of the above.

5. Which of the following is not a cause for depreciation of fixed assets?
 - a) Fall in market price;
 - b) Wear and tear due to usage;
 - c) Obsolescence;
 - d) None of the above.
6. Which of the following is not a current asset?
 - a) Inventory;
 - b) Marketable securities;
 - c) Prepaid expenses;
 - d) Plant and Machinery.
7. Under Written Down Value Method, the depreciation expense of a fixed asset charged to Profit and loss account each year during its useful life-
 - a) Increases;
 - b) Decreases;
 - c) Remains constant;
 - d) None of the above.
8. _____ is calculated by dividing the average annual profit by the cost of investment.
 - a. Payback period
 - b. Net working capital
 - c. Gross working capital
 - d. Average Rate of Return
9. Which of the following is not a source of long-term finance?
 - a) Trade credit;
 - b) Preference capital;
 - c) Equity capital;
 - d) Term loan from bank.
10. Which of the following is a discounted cash flow technique of Capital Budgeting?
 - (a) Net Present Value;
 - (b) Internal Rate of Return;
 - (c) Profitability Index;
 - (d) All the above.

Section B

Answer all questions. (5 x 2 Mark= 10 Marks)

11. Write a short note on double entry system.
12. What is 'Internal Rate of Return' of a firm?
13. Write Short notes on straight line method of depreciation?
14. Why do you consider capital budgeting decisions important for a firm?
15. Distinguish between 'Interim Dividend' and 'Final Dividend'.

Section C

Answer any **FIVE** questions. (5 x 8 Marks= 40 Marks)

16. Describe the emergence and benefits of International Accounting Standards.
17. (a) What is Working Capital Cycle?
(b) Describe the factors that influence the working capital needs of a firm.
(4+ 4 Marks)
18. Discuss about the concept of 'cash management'.
19. (a) What is meant by 'Weighted Average Cost of Capital'?
(b) Surya Chemicals Ltd has the following capital structure on 31st March 2020 based on market values. Compute the Weighted Average Cost of Capital to the company.

Source of finance	Amount ₹	Proportion (%)	After tax cost (%)
Share Capital	450000	45	18
Reserves and Surplus	150000	15	18
Preference share capital	100000	10	11
Debt	300000	30	8
Total	1000000	100	?

(4+4 Marks)

20. M/S Iyengar & Sons has a plan to invest in a new project which requires investment of ₹ 5 Lakhs. It is expected that the project would yield cash flows for five years. The cost of capital is 10% pa. The estimated cash inflows from the project are furnished below.

Period	Cash flow (₹)
Year 0 (On starting the project)	-500000 (outflow)
End of Year 1	50000
End of Year 2	150000
End of Year 3	150000
End of Year 4	150000
End of Year 5	100000

(Present value factor of ₹ 1 @10% for Year 1= 0.9091; Year 2=0.8264; Year 3=0.7513; Year 4=0.6830; Year 5= 0.6209)

You are required to find out-

- (a) Payback period of the investment;
(b) Net Present Value of the cash flows. Do you find the project acceptable? Give reason for your answer.
(3+5 Marks)

21. The acquisition cost of a machine is ₹ 300000. The rate of depreciation under Written Down Value method is 20%. Calculate-
- the depreciation to be charged to Profit and Loss account at the end of third year.
 - Profit or loss to the firm if the firm sells the machine for ₹150000 at the end of the third year.
- (4+4 Marks)

22. The following trial balance has been extracted from the books of Basu & Co. on 31.03.2023.

Accounting Head	Dr.	Cr.
Opening stock	21,250	
Purchases	68,750	
Sundry debtors	22,000	
Travelling expenses	6,200	
Carriage inwards	1,450	
Factory rent	4,200	
Wages	22,450	
Office rent	3,550	
Carriage outwards	1,400	
Salaries	17,500	
Cash in hand	650	
Cash at bank	8,950	
Bad debts	400	
Sundry creditors		15,500
Bills payable		4,000
Bills receivable	5,000	
Furniture	9,000	
Machinery	30,000	
Capital		57,300
Sales		1,45,950
Total	2,22,750	2,22,750

The following additional information is available.

- The closing stock on 31.03.2023 is valued at Rs. 30,500.
- Wages and Salaries are outstanding as Rs. 2,300 and Rs. 1,900, respectively.