Reg. No. : ....

D 4008

Q.P. Code : [07 DMB 03]

(For the candidates admitted from 2007 onwards)

M.B.A. DEGREE EXAMINATION, JULY 2022.

First Year / First Semester

ACCOUNTING AND FINANCE FOR MANAGERS

Time : Three hours — Maximum : 100 marks

Answer any FIVE questions.

All questions carry equal marks.

(5 × 20 = 100)

1. Explain the concepts and conventions of accounting.

2. Discuss any four methods of analyzing the financial statements.

3. From the following Balance sheet of ABC Ltd., prepare

   (a) Schedule showing changes in working capital

   (b) A statement showing sources and application of funds for the year ended 31st December 1998.

Capital and Liabilities	1997 Rs.	1998 Rs.	Assets	1997 Rs.	1998 Rs.
Pref. Share Capital	2,00,000	1,00,000	Fixed assets	5,10,000	6,20,000
Equity share Capital	3,00,000	3,50,000	Investments	30,000	80,000
Debentures	1,00,000	2,00,000	Current assets	2,40,000	3,75,000
Reserves	1,10,000	2,70,000	Discount on debentures	10,000	5,000
Provision for doubtful debts	10,000	15,000			
Current liabilities	70,000	1,45,000			
	7,90,000	10,80,000		7,90,000	10,80,000

Additional information :

(i) A machine costing Rs.70,000, book value Rs.40,000 was disposed of for Rs.25,000.

(ii) Preference shares redemption was carried out at a premium of 5% and dividend at 15% was paid on equity shares for the year 1997

(iii) Provision for depreciation stood at Rs.1,50,000 31st December 1997 and Rs.1,90,000 on 31st December 1998 and

(iv) Stock which was valued at Rs.90,000 as on 31st December 1997 was written up to its cost Rs.1 lakh for preparing the profit and loss account for 1998.

4. What is meant by marginal costing? Explain its features, merits and demerits.

5. A company's capital structure consists of the following:

	Rs.
Equity shares of Rs.100 each	20 lakhs
Retained earnings	10 lakhs
9% Preference shares	12 lakhs
7% debentures	8 lakhs
Total	50 lakhs

The company earns 12% on its capital. The income-tax rate is 50%. The company requires a sum of Rs.25 lakhs to finance its expansion programme for which the following alternatives are available to it.

(a) Issue of 20,000 equity shares at a premium of Rs.25 per share.

(b) Issue of 10% preference shares

(c) Issue of 8% Debentures

It is estimated that the P/E ratios in the case of equity, preference and debenture financing would be 21.4, 17 and 15 respectively. Which of the three financing alternatives would you recommend and why?

6. (a) Calculate the cost of capital from the following data:

(i) X Ltd. issues 12% Debentures of face value Rs.100 each and realizes Rs.95 per Debenture. The Debentures are redeemable after 10 years at a premium of 10%.

(ii) Y Ltd. issues 14% preference shares of face value Rs.100 each Rs.92 per share. The shares are repayable after 12 years at par. Note: Both companies are paying income tax at 50%.

(b) Calculate the weighted average cost of capital from the following data:

Source	Market value (Rs.)	Cost of specific source of capital
Debt	18,000	3.70
Preference	9,000	7.0
Equity	40,000	9.5
Retained earnings	5,000	8.31

7. What do you understand by Indian Financial System? Discuss the regulatory and banking Functions of the Indian Financial System.

8. Discuss the internal and external factors that influence the dividend policy of a firm.