



BRAINWARE UNIVERSITY

Course – MBA

Financial Management and Management Accounting (MBA207 / MBA207(BL))

(Semester – 2)

Time allotted: 3 Hours

Full Marks: 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)

10 x 1 = 10

1. *Choose the correct alternative from the following*
 - (i) In the time of capital rationing, the investment decision can be evaluated by
 - a. NPV
 - b. BCR or PI
 - c. IRR
 - d. ROI
 - (ii) The marginal cost is same as
 - a. Variable cost per unit
 - b. Per unit total cost
 - c. Fixed cost per unit
 - d. None
 - (iii) Normal difference between liquidity and profitability is
 - a. Inverse
 - b. Proportionate
 - c. reciprocal
 - d. None
 - (iv) Increase in current assets means
 - a. Cash inflow
 - b. Cash outflow
 - c. Neither inflow nor outflow of cash
 - d. None
 - (v) Which of the following method only consider profit after tax and therefore the depreciation can influence the decision
 - a. ROI
 - b. Pay back period
 - c. NPV
 - d. BCR or PI
 - (vi) The growth rate of dividend is calculated as
 - a. Retention ratio x ROE
 - b. Retention ratio / ROE
 - c. Retention ratio – ROE
 - d. None
 - (vii) Which of the following budget recognizes the difference between fixed, semi-variable

- and variable cost
- a. Fixed budget
 - b. Flexible budget
 - c. Production budget
 - d. None
- (viii) Measurement of ability to pay off its obligation to creditors and recurring expenses is
- a. Liquidity
 - b. Solvency
 - c. Profitability
 - d. All of these
- (ix) If market price of a security is less than its intrinsic value then the security is called
- a. Over valued
 - b. Under valued
 - c. At par
 - d. Same valued
- (x) Which of the following is optimal for the investors in equity share
- a. High price earning ratio with low EPS
 - b. Low price earning ratio with low EPS
 - c. Low price earning ratio with high EPS
 - d. High price earning ratio with high EPS

Group – B

(Short Answer Type Questions)

3 x 5 = 15

Answer any *three* from the following

2. You can save Rs.5,000 a year for 3 years, and Rs.7,000 a year for 7 years thereafter. What will these savings accumulate at the end of 10 years, if the rate of interest is 8 percent compounded annually? [5]
3. 'High levered firm is high profitable firm' – are you agreed with the statement? [5]
4. The fixed cost is normally ignored in decision making process regarding receiving a customized order – Explain? [5]
5. What is Angle of Incidence? State its significance? [5]
6. Explain the significance of tax shield arising from depreciation while forecasting of free cash flow to a firm. [5]

Group – C

(Long Answer Type Questions)

3 x 15 = 45

Answer any *three* from the following

7. (a) State the process of making cash flow statement as per accounting standard 3 with appropriate example? [10]
- (b) How the cash flow is different from fund flow statement in terms of its effectiveness and accounting concepts? [5]

8. A Company is considering a proposal of installing drying equipment. The equipment would involve a Cash outlay of Rs. 6, 00,000 and net Working Capital of Rs. 80,000. The expected life of the project is 5 years without any salvage value. Assume that the company is allowed to charge depreciation on straight-line basis for Income-tax purpose. The estimated before-tax cash inflows are given below:

Before-tax Cash inflows (Rs. '000) Year					
Year 1	Year 2	Year 3	Year 4	Year 5	
240	275	210	180	160	

The applicable Income-tax rate to the Company is 35%. If the Company's opportunity Cost of Capital is 12%, calculate the equipment's discounted payback period, payback period, net present value and internal rate of return.

- [15]
9. (a) The market value of a Rs.100 par value bond, carrying a coupon rate of 8.5 percent and maturing after 8 years, is Rs.95. What is the yield to maturity on this bond? [7]
- (b) The share of a certain stock paid a dividend of Rs.3.00 last year. The dividend is expected to grow at a constant rate of 8 percent in the future. The required rate of return on this stock is considered to be 15 percent. How much should this stock sell for now? Assuming that the expected growth rate and required rate of return remain the same, at what price should the stock sell 3 years hence? [8]
10. (a) You plan to go abroad for higher studies after working for the next five years and understand that an amount of Rs.2, 000,000 will be needed for this purpose at that time. You have decided to accumulate this amount by investing a fixed amount at the end of each year in a safe scheme offering a rate of interest at 10 percent. What amount should you invest every year to achieve the target amount? [6]
- (b) A Rs.1000 par value bond, bearing a coupon rate of 12 percent will mature after 6 years. What is the value of the bond, if the discount rate is 16 percent? [5]
- (c) Explain briefly the concept of 'flexible budget'. [4]
11. Following information are available for the year 2013 and 2014 of PIX Limited:
- | Year | 2013 | 2014 |
|----------------|----------------|----------------|
| Sales | Rs.32, 00,000 | Rs. 57, 00,000 |
| Profit/ (Loss) | (Rs. 3,00,000) | Rs. 7, 00,000 |
- Calculate –
- (a) P/V ratio, [3]
- (b) Marginal cost percentage [3]
- (c) Total fixed cost [3]
- (d) Sales required to earn a Profit of Rs. 12, 00,000. [3]
- (e) Profit when MOS is Rs. 1000000. [3]