

Revision Paper (2016-17)

Class-B.Com-III

Sub: Management Accounting and Financial Management

Paper- III

Time: 3 Hours

Maximum Marks: 80

Note: Attempt five questions in all, selecting at least one question but not more than two questions from any unit. All questions carry equal marks.

Unit-I

1. Define Management Accounting. Discuss its utility for management. Explain its limitations.
2. What ratios would you use to measure:-
 - (a) Liquidity
 - (b) Long-term solvency, and
 - (c) Profitability of a concern.
3. The following are the summarized Balance-sheet of a company as on 31st March, 2014 and 2015:-

Particulars	2011	2012
	Rs	Rs
I. Equity and Liabilities:-		
Share capital	2,00,000	2,50,000
General Reserve	50,000	60,000
Profit and loss	30,500	30,600

Bank Loan (Long term)	70,000	-
Sunday Creditors	1,50,000	1,35,200
Provision for Taxation	30,000	35,000
Total	5,30,500	5,10,800

II. Assets:-

Lands and Buildings	2,00,000	1,90,000
Machinery	1,50,000	1,69,000
Goodwill	-	5,000
Sunday Debtors	80,000	64,200
Cash	500	600
Bank	-	8,000
Total	5,30,500	5,10,800

Additional Information:-

During the year ended on 31st March 2015:-

- (a) Dividend of Rs 23,000 was paid.

- (b) Assets of another company were purchased for a consideration of Rs 50,000 payable in shares. The assets purchased were: stock Rs 20,000, Machinery Rs 25,000.
- (c) Machinery was further purchased for Rs 8,000.
- (d) Income tax provided during the year Rs 33,000.
- (e) Income tax provided during the year Rs 33,000.
- (f) Loss on sale of machinery Rs 200 was written off to general reserve.
- (g) Bank loan was repaid on 1st April, 2014.

You are required to prepare the cash flow statement for the year ending on 31st March, 2015.

UNIT II

4. What do you mean by Financial Management? Discuss its functions and goals.
5. The Capital budgeting department of a company has suggested 3 investment proposals. The cash flow for each are tabulated below. If the cost of capital is 12%, select which proposal should the firm adopt.

Year	Cash Flow		
	Project I Rs.	Project II Rs.	Project III Rs.
0	18,000	55,000	35,000
1	5,600	12,000	13,000
2	6,000	20,000	13,000
3	8,000	24,000	13,000
4	8,000	32,000	13,000

6. What is cost of capital? What is its significance and what are the problems in determination of cost of capital?

UNIT-III

7. What is capital structure? Discuss the various determinants and qualities of an optimum capital structure.

8. The following information are available in respect of a company:-

Capitalisation rate (K_e) = 10%

Earning per share (E) = Rs .8

Calculate the market price of share under walter 's model by assuming a rate of return on investment (i) 15%, (ii) 10%, (iii) 5% and dividend payment ratio of 0%, 25%, 50% and 100%.

9. Discuss the modigliani and Miller approach of irrelevance of dividends. What are its limitations?

10. What do you mean by working capital? Explain the factors affecting the working capital requirement of a business.