Reg. No. | | | | | | | | | |

MBAH 402

I Semester M.B.A. Degree Examination, May/June 2022
(Regular and Repeater)
BUSINESS ADMINISTRATION
Business Accounting and Finance

Time : 3 Hours Max. Marks : 70

SECTION – A

Answer **any two** questions. **Each** question carries **10** marks. Answer to the question should **not** exceed **5** pages. **(2×10=20)**

1. Define Capital Budgeting. Explain the various tools of evaluation of the project.

2. Why wealth maximization objective is superior to profit maximization ? Explain.

3. Discuss the scope and objectives of finance function in business and role of Chief Finance Officer.

SECTION – B

Answer **any three** questions. **Each** question carries **12** marks. Answer to the question should **not** exceed **6** pages. **(3×12=36)**

4. Explain critically the different approaches for computing cost of equity. Discuss the merits and demerits of each.

5. A company is considering an investment proposal to purchase a machine costing Rs. 2,50,000. The machine has a life expectancy of 5 years and no salvage value. Company's tax rate is 40.5. It uses straight line method for providing depreciation. The estimated cash flows before tax after depreciation from the machine are as follows :

Year	CFBT	PV@10%
1	60,000	0.909
2	70,000	0.826
3	90,000	0.751
4	1,00,000	0.683
5	1,50,000	0.621

Calculate : (a) Pay Back Period (b) Average Rate of Return (c) PI @ discount rate.

P.T.O.

6. Suppose you are a Modern Financial Manager, what different roles would you perform other than the Traditional Financial Manager ? Explain in detail.

7. The following are the summarized Balance Sheet of SAI Ltd. as on 31st Dec. 2007 and 2008.

Liabilities	2007	2008	Assets	2007	2008
Share capital	1,00,000	1,50,000	Freehold land	1,00,000	1,00,000
Share premium	–	5,000	Plant at cost	1,04,000	1,00,000
General reserve	50,000	60,000	Furniture at cost	7,000	9,000
P & L a/c	10,000	17,000	Investment at cost	60,000	80,000
6% debentures	70,000	50,000	Debtors	30,000	70,000
Provision for depreciation :			Stock	60,000	65,000
On plant	50,000	56,000	Cash	30,000	45,000
On furniture	5,000	6,000			
Provision for taxation	20,000	30,000			
Sundry Creditors	86,000	95,000			
	3,91,000	**4,69,000**		**3,91,000**	**4,69,000**

Additional information :

a) Dividend of Rs. 11,500 was paid in 2008.

b) Assets of another company were purchased in 2008 for a consideration of Rs. 30,000 payable in shares the assets purchased were.

Stock Rs. 10,000

Machinery Rs. 12,500.

c) Additional machinery further purchased was Rs. 4,000 in 2008.

d) Depreciation written off on machinery was Rs. 6,000 in 2008.

e) Income tax provided during the year Rs. 16,500 in 2008.

f) Loss on sale of machinery Rs. 100 was written off to general reserve in 2008.

You are required to prepare :

i) a funds flow statement

ii) a statement of changes in net working capital.

8. ANIL Ltd. makes on an average 20% on sales. In working out profit margin depreciation is added to cost of production. The company maintains one month stock of raw materials and also for finished product in order to attain minimum degree of solvency and liquidity. A company does not allow cash balance to drop below Rs. 1,50,000.

Particulars	**Rs. In (1,000)**
– Sales (2 months credit)	3,000
– Materials required for consumption	700
(Suppliers extended 1½ month credit)	
– Wages paid (times lag of 1 month)	600
– Manufacturing expenses (payable at the end of the year)	720
(Paid 1-month arrears)	
– Total administrative expenses	260
(paid 1 month in arrears)	
– Advertisement and promotional expenses	100
(Payable in quarterly in advances)	

The company pays income tax in 4 equal installments. One installment payable in next year. The total income tax liability for the year Rs. 3,20,000. Company decided to keep 20% for contingency. It is maintaining 1 month of stock of raw material and one month stock of finished goods. Credit allowed to customer is 2 months.

Calculate working capital requirement on cash cost basis.

SECTION – C
(Compulsory)

Answer to this question should **not** exceed **6** pages. **(1×14=14)**

9. Ram and Prem are partners having profit sharing ratio of 2 : 1 and their Balance Sheet as on 31-3-2021 was as follows :

Liabilities	**Rs.**	**Assets**		**Rs.**
Creditors	40,000	Cash in hand		300
Bills Payables	10,000	Bills receivable		5,000
Ram's loan	20,000	Debtors	60,000	
Ram's capital	30,000	less : Reserves	300	57,000
Prem's capital	20,000	Stock		43,000
Reserve fund	6,000	Machinery		20,000
	1,26,000			**1,26,000**

They agreed to sell the business to a Limited Co. and the Co., to take over the assets and liabilities as follows :

Machinery at Rs. 16,000, Stock at Rs. 35,000, Debtors at Rs. 50,700.

B/R at Rs. 5,000 and Goodwill at 6,000.

The company agreed to take over Creditors at Rs. 38,000 and B/P at Rs. 10,000. The expenses of realization amounted to Rs. 300. The firm received Rs. 40,000 of the purchase price in Rs. 10 fully paid equity shares and the balance in cash.

Distribute the shares as per original capital ratio.

Prepare the necessary Ledger Accounts in the books of the firm.
