

I SEMESTER M.TECH. Engineering Management END SEMESTER EXAMINATION – NOVEMBER 2019

ACCOUNTING & FINANCIAL MANAGEMENT [HUM 5152]

Date: 21/11/2019 Time : 2-5 PM

Max. Marks: **50**

Instructions to Candidates:

✤ Answer ALL the questions & missing data may be suitably assumed. Use formulae instead of Interest Factor Table

1A	The following data has been extracted from the financial statements of Company A and Company B.					4
		Ce	ompany A Co	ompany B	7	
				mpany D		
	Cash	50	,000 40	00		
	Interest pay	able 25	,000 50	,000		
	Prepaid exp	benses 10	,000 10	,000		
	Inventory	1,	70,000 3,2	20,000		
	Accounts P	ayable 1,	50,000 1,2	25,000		
	Account re	ceivables 1,2	20,000 16	,000		
	 Calculate the current ratio. Do both companies have equal ability to pay its short term obligations? Explain. 					
1B	Journalize the following transactions. Also state the nature of each account involved in the Journal 4					
	entry.					
	 Dec. 1, 2000, Ajit started business with Cash Rs 40,000. Dec. 3, he paid into the Bank Rs 2,000. Dec. 5, he purchased goods for cash Rs 15,000. Dec. 8, he sold goods for cash Rs 6,000. 					
1C	Differentiate between Tangible and Intangible Assets. Give example for each.					2
2A	Samsung Industries has four potential projects all with an initial cost of \$2,000,000. The capital budget 4					4
	for the year will only allow Samsung to accept one of the four projects. Given the discount rates and					
	the future arch flows of each project decide using NDV which projects bould they accept?					
	the future cash nows of each project, decide using NPV which project should they accept?					
	Cash Flows	Project A	Project B	Project C	Project D	
	Year one	\$500,000	\$600,000	\$1,000,000	\$300,000	
	Year two	\$500,000	\$600,000	\$800,000	\$500,000	
	Year three	\$500,000	\$600,000	\$600,000	\$700,000	
	Year four	\$500,000	\$600,000	\$400,000	\$900,000	
	Year five	\$500,000	\$600,000	\$200,000	\$1,100,000	
	Discount Rate	6%	9%	15%	22%	1

2B	Mr.James is considering investing Rs.2,50,000 in a business. The cost of capital for the investment is							
	13%.Following cash flows are expected from the investment:							
	Voor Coch flow							
			I Cal	Casil IIO	~			
				(Rs)				
			0	(2,50,000))			
			1	50,000	_			
			2	100000	_			
			3	200000	_			
			5	200000				
	Calculate the IRR for the proposed investment and interpret your answer.							
2C	Explain the term "mutually exclusive projects" in capital budgeting. 2					2		
						<u> </u>		
3 A	A company prepares a budget for a production of 200000 units. Variable cost per unit is Rs. 15 and the 4						4	
	fixed cost is Rs. 2 per unit. The company fixes its selling price to fetch a profit of 10% on cost.							
	(i) What is the break-even point? (both in units and in value)							
	(11) What is the profit volume ratio?							
3 B	Donald Trump recently received the following information related to Trump Inc.,'s December 31, 4						4	
	2018, balance sheet. Prepa	re the Asse	ts section o	of Trump I	nc's balance	e sheet.		
						_		
	Prepaid expenses 2300							
	Property, Plant and equipment 10700							
		Inven	itory	1 1	3400	-		
	Accumulated depreciation 2700							
	Accounts receivable 1100							
3C	Differentiate between Absorption Costing and Marginal Costing.					2		
4 A	Real McCoy Media Limite	ed has four	sales territ	ories A, B,	C, D. Eac	h salesman	is expected to sell the	4
	following number of units	during the	e First Qua	rter of 201	9. Assume	e the Avera	ge Selling Price to be	
	Rs. 10. Prepare a sales bud	get for the	first quarte	r.				
		Month	A	В	С	D		
		April	500	750	1250	1750		
		May	1000	900	1400	2000		
		June	1250	1000	1500	2250		

4 B	Prepare a Process Account showing Abnormal Loss and Normal Loss from the following information. 4					
	Input of Raw materials	1000 unit @ Rs.20 per unit				
	Direct Material	Rs.4200				
	Direct Wages	Rs.6000				
	Product Overheads	Rs.6000				
	Actual Output transferred to Process II	900 units				
	Normal loss	5%				
	Value of scrap per unit	Rs.8				
4C	The annual demand of a certain product is 8000 units, ordering cost per order is Rs.40, carrying cost is 10% of average inventory value and purchase cost is Rs.10 per unit. What is the EOQ?					
5A	 Write the effects of the following transactions on accounting equation. Received cash from James, owner, as an investment, Rs.2,000 Paid cash for insurance, Rs.600 Bought supplies on account from Ken's Supply Company, Rs100 Sold services on account to GKSS & Co for Rs 400 Received cash from sales, Rs.800 Paid cash for rent, Rs 300 					
5B	Assume a property is priced at Rs.5,000 and has the following income stream (Year 1, Rs.1,000; Year 2, - Rs.2,000; Year 3, Rs.3,000; and Year 4, Rs.3,000). Would an investor with a required rate of return of 15 percent be wise to invest at the current price?					
5C	Explain any two differences between a share and a debenture.					
5D	What is the price of a 5-year bond with a nominal value of Rs.100, a yield to maturity of 7% (with annual compounding frequency), a 10% coupon rate and an annual coupon frequency?					
