



M.E DEGREE EXAMINATIONS: JUNE 2015

(Regulation 2014)

Second Semester

INDUSTRIAL ENGINEERING

P14IET204: Management Accounting and Financial Management

Time: Three Hours

Maximum Marks: 100

Answer all the Questions:-

PART A (10 x 1 = 10 Marks)

1. Matching type item with multiple choice code [K₂]

List I	List II
A. Annuity	i. calculating future value of cash flow
B. compounding	ii. series of equal consecutive payments
C. money	iii. financial decision
D. Financing decision	iv. time value

	A	B	C	D
a)	ii	i	iv	iii
b)	i	ii	iii	iv
c)	iv	ii	i	iii
d)	iii	i	iv	ii

2. An individuals time preference for money can be attributed to [K₁]

- a Preference for future consumption b) Delayed investment opportunity
c Certainty d) Risk

3. Which of the following method does not consider the profitability of the whole life of the project [K₁]

- a) Pay back period method b) Net present value method
c) Accounting rate of return method d) Profitability index

4. Cost of capital depends upon [K₂]

- a) Source of capital b) Volume of capital
c) Time for capital d) Availability of capital

5. The following statements are related to the assumptions of cost of capital [K₂]

- 1.The financial and business risks are not affected by investing in new investment proposal

14. Write any two objectives of optimum capital structure? [K₁]
15. List any three types of cost variance [K₁]
16. ----- involves the planning of expenditure for assets and the returns from which will be realized in ----- period of time [K₂]
17. Write down the steps involved in the process of Investment Analysis [K₁]
18. What are the indications of profitability ratios? [K₁]
19. List any three characteristics of equity shares [K₁]
20. List any four objectives of working capital. [K₁]

PART C (10 x 5 = 50 Marks)

21. List any ten factors which determine the level of working capital required for an organization [K₂]
22. Why capital budgeting is so important? [K₃]
23. A person would need Rs 100, 5 years from now. How much should he deposit each year in his bank account, if the yearly interest rate is 10 per cent. An investor has two option to choose from 1. Rs 6000 after one year 2. Rs 9000 after 4 years. Assuming a discount rate of 10 per cent and 20 per cent. Which alternative would you opt for? [K₄]
24. The capital structure of a firm consists of equity of Rs 80 lakhs; 10% preference shares of Rs 20 lakhs and 14% debentures of Rs 60 lakhs. At present its equity share is selling for Rs 25. It is expected that the company will pay a dividend of Rs 2. It has been growing @ 7% per annum. If the company is subject to 50% tax rate, determine its weighted average cost of capital [K₄]
25. Explain the features of Budget. [K₂]
26. List the merits and limitations of Net present value method. [K₂]
27. Write a brief note on Leverage ratio. [K₂]
28. From the following financial statement calculate (i) Current Ratio (ii) Acid test Ratio (iii) Inventory Turnover (iv) Average Debt Collection Period (v) Average Creditors' payment period. [K₄]

	<u>Current.Assets</u>
	Inventories 125
	Debtors 250
	Cash 225
	<u>Current. Liabilities</u>
	Trade Creditors 200
<u>Sales</u> 1500	
Cost of sales 1000	
Gross profit 500	

29. Write a brief note on standard costing [K₄]
30. State any two reasons for the following [K₄]
1. Material price variance 2. Material usage variance 3. Labour efficiency variance

PART D (2 x 10 = 20 Marks)

31. A proforma cost sheet of a company provides the following particulars [K₃]

Particulars Elements of cost	Amount/unit
Raw material	Rs80
Direct labor	30
Over head	60
Total cost	170
Profit	30
Selling price	200

The following further particulars are available Raw material in stock, on average, one month
 Credit allowed by supplier is one month; Debtor credit is two month;
 Material in process (completion stage 50%) on average half a month;
 No of units produced per year 1,04,000.

Finished goods in stock on average one month; Average time lag in payment of wages is 1.5 weeks and one month in overhead expenses; One fourth of the output is sold against cash. Cash in hand and at bank is desired to be at Rs 3,65000/-. Prepare a statement of working capital needed to finance the level of the above production

32. ABC manufacturing company uses discounted payback period to evaluate investment in capital [K₃]
 assets. The company expects the following annual cash flows from an investment of
 Rs 3,500,000

Year	0	1	2	3	4	5	6	7	8
Cash flow in 1000	3500	900	900	900	900	900	900	900	900

No salvage value is expected. The company cost of capital is 12%

Compute discounted payback period of the investment

Is the investment desirable if the required payback period is 4 year or less
