



M.E DEGREE EXAMINATIONS: MAY 2016

(Regulation 2015)

Second Semester

INDUSTRIAL ENGINEERING

P15IET204: Accounting and Financial Management

COURSE OUTCOMES

- CO1:** Extend use of balance sheet in working capital management.
- CO2:** Classify overheads and analyze cost accounting systems
- CO3:** Practice flexible budgeting and sketch the use of zero budgeting.
- CO4:** Recognize importance of investment decisions and categorize asset management.
- CO5:** Analyze capital costing and outline leasing.

Time: Three Hours

Maximum Marks: 100

Answer all the Questions:-

PART A (10 x 1 = 10 Marks)

1. Read the following statements CO1 [K₂]
 - i) "The rate of return on investment increases with the shortage of working capital"
 - ii) "Net working capital is the excess of current assets over current liabilities"
 - iii) "Greater the size of the business unit, larger will be the requirement of working capital"
 - iv) "Working capital is also known as circulating capital"

Which one of the following consists of the correct statements?

| | |
|-----------------------|-------------------------|
| a) (i),(ii) and (iii) | b) (ii), (iii) and (iv) |
| c) (iii),(iv) and (i) | d) (i),(ii) and (iv) |

2. An individual's time preference for money can be attributed to CO1 [K₁]

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

3. Which of the following methods does not consider the profitability of the whole life of the project CO2 [K₁]

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

4. Matching type item with multiple choice code CO2 [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) ii i iv iii b) i ii iii iv
c) iv ii i iii d) iii i iv ii

5. Cost of capital depends upon CO3 [K₁]

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

6. The following statements are related to the assumptions of cost of capital CO3 [K₂]

- i. The financial and business risks are not affected by investing in new investment proposal.
ii. The firm's capital structure varies periodically
iii. Cost of each source of capital is determined on before tax basis
iv. Cost of previously obtained capital is not relevant for computing the cost of capital to be raised from a specific source

- a) 1 and 4 are correct b) 1 and 3 are correct
c) 2 and 4 are correct d) 3 and 4 are correct

7. Assertion (A): According to Modigliani and Miller, value of the firm is unaffected by dividend policy CO4 [K₂]

Reason (R): A firm's value is determined solely by its investment decisions

- a) Both A and R are correct b) only A is correct, but R is incorrect
c) Only R is correct, but A is incorrect d) Both A and R is incorrect

8. To get fixed return with minimum risk one should purchase CO4 [K_L]

- a) Equity share b) Preference share
c) Depentures d) Lone

9. _____ measures the size of interest payments relative to the EBIT and the adequacy of EBIT to meet payment obligations CO5 [K₂]

- a) Interest coverage ratio b) Interest payable ratio
c) Interest earning ratio d) Coverage ratio

10. _____ is the ratio of return a firm must earn on its investment so that the market value of the firm remains unchanged CO5 [K₂]

- a) Cost of financing b) Cost of debut
c) Cost of capital d) Weighted average cost of capital

PART B (10 x 2 = 20 Marks)

- | | | |
|--|-----|------|
| 11. List the important functions served by the balance sheet. | CO1 | [K1] |
| 12. What are all the types of ratio in financial activity? | CO1 | [K1] |
| 13. Write down the main functions of cost accountant. | CO2 | [K1] |
| 14. Define the term job costing. | CO2 | [K1] |
| 15. Has “Budgetary Control” any significance with management accounting? | CO3 | [K2] |
| 16. Why capital budgeting is significant for a firm? | CO4 | [K1] |
| 17. Name the common approaches to establish appropriate capital structure. | CO5 | [K1] |
| 18. What is meant by stability of dividends? | CO5 | [K1] |
| 19. What are all the type of leases? | CO5 | [K1] |
| 20. Define leveraged lease. | CO5 | [K1] |

PART C (6 x 5 = 30 Marks)

- | | | |
|--|-----|-------------------|
| 21. Explain the major sources and uses of working capital. | CO1 | [K ₂] |
| 22. Describe briefly the objective of a cost accountant in a manufacturing organization. | CO2 | [K ₂] |
| 23. Discuss about the process of Zero – base Budgeting. | CO3 | [K ₂] |
| 24. Explain what is meant by flexible budget and its utility. | CO3 | [K ₂] |
| 25. Illustrate the types of investment Decisions. | CO4 | [K ₃] |
| 26. What are the myths and advantages of a lease? | CO5 | [K ₂] |

Answer any FOUR Questions

PART D (4 x 10 = 40 Marks)

- | | | |
|---|-----|-------------------|
| 27. The following data relate to a manufacturing firm, ABC Ltd.,: | CO1 | [K ₄] |
|---|-----|-------------------|

ABC LTD. MANUFACTURING COSTS

| | | (Rs lakh) |
|------------------------|--------|-----------|
| Raw material purchased | 30,450 | |
| Wages | | 6,500 |
| Power and fuel | 675 | |
| Repairs | 385 | |
| Maintenance | 250 | |
| Consumables | 320 | |
| Depreciation | 1,500 | |
| Factory rent | 20 | |
| Stock : | | |
| Raw material | | |
| Opening | 3,900 | |
| Closing | 3,750 | |
| Work-in-process (WIP) | | |
| Opening | 10,950 | |
| Closing | 10,700 | |
| Finished goods | | |
| Opening | 8,000 | |
| Closing | 8,300 | |

Calculate the cost of goods sold for ABC Ltd.

28. From the following particulars, Calculate the (i) Material Cost Variance, (ii) Material usage Variance, and (iii) Material Price Variance: CO2 [K₄]
- Quality of material purchased = 3,000 units
Value of material purchased = Rs 9,000
Standard quality of material required per tonne of finished product = 25 units
Standard rate of material = Rs 2 per unit
Opening stock of material = Nil
Closing stock of material = 500 units
Finished production during the period = 80 tonnes
29. What do mean by Budgetary control? Explain the objectives of budgetary control with special reference to a large manufacturing concern. CO3 [K₂]
30. Despite its weakness, the payback period method is popular in practice? What are the reasons for its popularity? CO4 [K₂]
31. Explain the nature of the factors which influence the dividend policy of s firm. CO5 [K₂]
