

**Ist Internal Examination, 2019**  
**B.Com III (Pass & Hons.)**  
**Management Accounting**  
**Set - B**

**A. Multiple Choice Questions**

[1\*10=10]

1. (d) All of the above
  2. (a) True
  3. (b) Financial ratio
  4. (c) Both
  5. (d) All of the above
  6. (b) Net Sales
  7. (a) sales variability
  8. (d) Operating profit
9. A gearing ratio lower than 25% is typically considered low-risk by both investors and lenders. A gearing ratio between 25% and 50% is typically considered optimal or normal for well-established companies.
10. Comparative Analysis, Common-Size Analysis, Trend Analysis, Ratio Analysis, Funds Flow Analysis, Cash Flow Analysis, BEP-CVP Analysis.

**B. Long type Questions:**

1.

1. Calculation of existing total market value of the company

Net Income	4,00,000
Less: Interest on 10% debentures (I)	1,00,000
Profit available for Equity Shareholders (E)	3,00,000
Equity Capitalisation Rate (Ke)	15%
Market Value of Equity (S) = E/Ke	20,00,000
Market Value of debentures (D)	10,00,000
Total Market Value of Company (V = S + D)	30,00,000
Overall Cost of Capital (Ko) = EBIT/V	13.33%

2. Increase in Debentures in Total Capitalisation

Net Income	4,00,000
Less: Interest on 10% debentures (I)	1,60,000
Profit available for Equity Shareholders (E)	2,40,000
Equity Capitalisation Rate (Ke)	15%
Market Value of Equity (S) = E/Ke	16,00,000
Market Value of debentures (D)	16,00,000
Total Market Value of Company (V = S + D)	32,00,000
Overall Cost of Capital (Ko) = EBIT/V	12.50%

3. Decrease in Debentures in Total Capitalisation

Net Income	4,00,000
Less: Interest on 10% debentures (I)	40,000
Profit available for Equity Shareholders (E)	3,60,000
Equity Capitalisation Rate (Ke)	15%
Market Value of Equity (S) = E/Ke	24,00,000
Market Value of debentures (D)	4,00,000
Total Market Value of Company (V = S + D)	28,00,000
Overall Cost of Capital (Ko) = EBIT/V	14.29%

$$2. \frac{(X-11)(1-T)-PD}{S_1} = \frac{(X-12)(1-T)-PD}{S_2}$$

$$\frac{(X-0)(1-.3)-PD}{150} = \frac{(X-12)(1-.3)-PD}{50}$$

X = 18 Lakhs

3.

#### Income Statement

Sales	60,00,000
Less: Variable Cost	30,00,000
Contribution	30,00,000
Less: Fixed Cost	15,00,000
Operating Profit	15,00,000
Less: Interest	10,00,000
EAT	5,00,000
Less: Tax @ 30%	1,50,000
PAT	3,50,000