



Biyani Girls College
I Internal Examination 2019-20
B.COM. (III Year Pass / Hons.)
Subject- Management Accounting

Time: 1.30 Hrs.

Set: A

MM: 40

[I] Multiple Choice Questions

(10*1=10)

- 1) The Profit of a company before paying interest and tax is Rs. 1,00,000. The company has to pay 10% interest on debentures of Rs. 2,00,000. Calculate financial leverage of the company.
(a) 1.25 (b) 2.25 (c) 1.50 (d) 1.75
- 2) If the combined leverage and operating leverage figures of a company are 2.5 and 1.25 respectively, find the financial leverage.
(a) 2 (b) 3.125 (c) 0.50 (d) 1.50
- 3) Which of the following is the test of the long term liquidity of a business?
(a) Interest coverage ratio (b) Stock turnover ratio
(c) Operating ratio (d) Current ratio
- 4) The assets of a business can be classified as
(a) Only Fixed Assets (b) Only Current Assets
(c) Fixed and Current Assets (d) None of the above
- 5) If the stock turnover ratio is 4 times and the collection period is 30 days the operating cycle would be
(a) 30 days (b) 60 days (c) 90 days (d) 120 days
- 6) The term Management Accounting was coined in
(a) 1950 (b) 1955 (c) 1960 (d) 1965
- 7) Vertical Analysis is also known as
(a) Static Analysis (b) Structural Analysis
(c) Cross-section Analysis (d) All of the above
- 8) The capital structures refers to
(a) Long term debt, preference share capital, equity share capital
(b) Current assets and current liabilities
(c) Total assets – liabilities
(d) Shareholder's equity
- 9) Cash flow statement is based on
(a) Cash basis of accounting
(b) Accrual basis of accounting
(c) Credit basis of accounting
(d) None of the above
- 10) Cash flow statements studies causes of change in working capital.
(a) True (b) False

[II] Long type Questions:**(10*3=10)**

- 1) From the following information, calculate cash flow from operating activities:

Particulars	2016	2017
P&L Account	41,200	60,000
Debtors	20,000	26,000
Bills Receivables	20,000	12,000
Prepaid Rent	2,000	3,000
Prepaid Insurance	1,000	800
Goodwill	20,000	14,000
Depreciation	32,000	40,000
Creditors	20,000	30,000

- 2) There are two firms X and Y. Both the firms have capitalization of Rs. 2,50,000 each and both earn Rs. 40,000 each before interest and tax. While firm X has obtained its whole capital through Rs. 100 equity shares; firm Y has obtained Rs. 1,00,000 through Rs. 100 equity shares: Rs. 50,000 through 10% debentures and the balance Rs. 1,00,000 through 8% preference shares. Comment upon the policy of trading on equity following by the firm Y. Assume tax rate as 30%.
- 3) The Bharti Limited's capital structure consists 12,000 equity shares of Rs. 10 each and 10% debentures of Rs. 1,60,000 whereas the total assets of the company are Rs. 4,00,000. The company total asset turnover ratio is 3. Its fixed operating costs are Rs. 2,00,000 and its variable operating costs ratio to sales is 40%. The income tax rate is 30%. Calculate for the company all the three types of leverages.



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[I] Multiple Choice Questions

(10*1=10)

- 1) Cash flow statement is prepared from
 - (a) Profit and Loss Account
 - (b) Balance Sheet
 - (c) Additional Information
 - (d) All of the above
- 2) Cash payment to suppliers for services and goods is examples of cash outflow.
 - (a) True
 - (b) False
- 3) When the concept of ratio is defined in respected to the items shown in the financial statements, it is termed as
 - (a) Accounting ratio
 - (b) Financial ratio
 - (c) Costing ratio
 - (d) None of the above
- 4) The analysis and interpretation of the financial statement will reveal
 - (a) The profitability
 - (b) The financial position
 - (c) Both
 - (d) None of the above
- 5) What trend is projected by profitability ratio?
 - (a) Costs
 - (b) Profit
 - (c) Sales
 - (d) All of the above
- 6) Net Profit ratio shows the relationship between net profits and
 - (a) Gross Sales
 - (b) Net Sales
 - (c) Credit Sales
 - (d) Cost of Sales
- 7) A firms degree of operating leverage depends primarily
 - (a) Sales variability
 - (b) Level of fixed operating cost
 - (c) Closeness of its break even point
 - (d) debt to equity ratio
- 8) EBIT is usually the same thing as:
 - (a) Funds provided by operations
 - (b) Earnings before taxes
 - (c) Net income
 - (d) Operating profit
- 9) What is low capital gear ratio and when is it better
- 10) Describe the names of methods of financial statement analysis.

[II] Long type Questions:

(10*3=10)

- 1) Rakesh Ltd. has 10% Debentures of Rs. 10,00,000. The expected annual net income before Interest and Tax of the company is Rs. 4,00,000. The equity capitalization rate of the company is 15%. Compute according to Net Income Theory –
 1. The existing total market value and the overall cost of capital of the company.
 2. The impact on total market value and overall cost of capital if the management takes a decision to increase debentures by Rs. 6,00,000 by reducing equity; and

3. The impact on total market value and overall cost of capital in case, the management decides to reduce its debentures by Rs. 6,00,000 through issue of equity.
- 2) A new project under consideration by your company requires capital investment of Rs. 150 lakhs. Interest on term loan is 12% and tax rate is 30%. If the debt equity ratio insisted by the financing agencies is 2:1, calculate the point of indifference for the project.
- 3) The following data regarding leverages and costs of a company are given below:
- | | |
|--------------------|--------------|
| Operating Leverage | 2:1 |
| Financial Leverage | 3:1 |
| Interest | Rs. 10 lacs |
| Tax rate | 30% |
| Variable cost | 50% of sales |
- Prepare income statement of the company.