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1605E611

Candidate's Seat No :

M.Phil. A/C. Examination
Paper-III : Accountancy
May-2017

Time : 3 Hours] **[Max. Marks : 70**

Q.1 Discuss four functions of Strategic Financial management and framework of strategic financial decision making. **[14]**

OR

Q.1 What is financial planning? Explain how a firm can maintain balance between financial goals and sustainable growth. **[14]**

Q.2 Attempt any Two: **[14]**

(1) Explain Decision Tree Approach of risk -analysis in capital budgeting.

(2) What is simulation? Explain its method, advantages and disadvantages.

(3) The following is the data on a capital project being evaluated by management of khushi Ltd.

	Project-J
Annual cost saving (Rs)	40,000
Useful Life (Years)	4
I.R.R. (%)	15
Profitability Index (PI)	1.064
NPV	?
Cost of capital	?
Cost of Project	?
Pay- Back Period	?
Salvage Value(Rs)	0

Find the missing values considering following table of discount factors:

Discount Factor	15%	14%	13%	12%
1 year	0.869	0.877	0.885	0.893
2 year	0.756	0.769	0.783	0.797
3 year	0.658	0.675	0.693	0.712
4 year	0.572	0.592	0.613	0.636
	2.855	2.913	2.974	3.038

(P.T.O)

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(4) From the following data, state which project is better?

Project	A	B
Cash flows	Rs.	Rs.
Year 0	-20,000	-20,000
Year 1	8,000	10,000
Year2	8,000	12,000
Year3	4,000	6,000

Riskless discount rate is 5%. Project-A is less risky as compared to Project-B. The management considers risk premium rates at5% and 10% respectively for Project-A and Project-B for discounting the cash inflow. The present value factor of Re.1 is as follows:

Year	1	2	3
5 %	0.952	0.907	0.864
10%	0.909	0.826	0.751
15%	0.870	0.756	0.658

(5) A company manufactures 30 items per day. The sale of these items depends upon demand which has the following distribution:

Sales(units)	27	28	29	30	31	32
Probability	0.10	0.15	0.20	0.35	0.15	0.05

The production cost and sale price of each unit are Rs.40 and Rs.50 respectively. Any unsold item is to be disposed of at a loss of Rs.15 per unit. There is a penalty of Rs.5 per unit if demand is not met. Using the following random numbers estimate total profit/ loss for the company for next 10 days: 10,99,65,99,95,01,79,11,16,20.
If the company decides to produce 29 items per day, what is the profit/ loss to the company?

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Q.3 (a) Explain categories and motives of mergers and acquisition. [7]

(b) What is reverse merger?? Explain tax benefits of mergers and acquisition [7]

OR

Q.3. (a) Explain in detail corporate take-over. [7]

(b) Discuss in brief Leveraged Buy-out. [7]

Q.4 From the Following Information Prepare Flexible Budget for the Production of 50,000, 70,000 And 85,000 Units of Product X. **[14]**

Output	1,00,000 units(per unit cost)
Direct material	80
Direct labour	40
Direct variable expenses	20
Manufacturing variable overhead	30
Fixed production overhead	5
Fixed administration overhead	5
Selling overhead	10(20% fixed)
Distribution overhead	15(10% fixed)

OR

Q.4 Prepare Cash Budget for the three months ending 30th November, 2016 from the information given below: **[14]**

Month	Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)	Factory Expenses (Rs.)	Office Expenses (Rs.)
June	25,000	11,800	1,600	1,200	2,800
July	24,000	12,000	1,680	1,170	3,000
August	22,950	12,600	1,740	1,230	3,600
September	23,400	11,550	1,740	1,260	4,200
October	27,000	11,250	1,770	1,530	4,800
November	28,500	13,200	1,770	1,800	3,900

(P.T.O)

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The bank balance on 1st September, 2016 is Rs.3,000. A sales commission @5% on sales, which is due in the month following the month in which the sales dues are collected, is payable in addition to office expenses. Fixed assets worth Rs. 19,500 will be purchased in September 2016 to be paid in October2016. Rs. 5,000 in respect of debenture interest will be paid in October, 2016. The period of credit allowed to customers is 2 months and one month's credit is obtained from suppliers of goods. Wages are paid on an average, fortnightly on 1st and 16th of each month. Expenses are paid in the month in which they are due.

Q.5 Attempt any seven: **[14]**

1. What is principal budget factor??
2. What is risk and return analysis?
3. Define Budget and Budgetary Control.
4. What is the impact of inflation on capital budgeting decision?
5. Discuss in brief Management Buyouts.
6. List out points to be considered while preparing Project Report.
7. State classification of budgets.
8. What is CAPM?
9. State three fundamental essential elements of business.
10. What is Sensitivity Analysis?

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