

**Diploma in Islamic Banking Examination, October-2021**

**PART-II**

**204: Management Accounting & Financial Management**

**Time: 3 hours**

**Full Marks: 100**

**Pass Marks: 45**

(N.B.: Answer **any 5 (five)** questions selecting at least **2 (two)** questions from each section. The figures in the right margin indicate full marks. Answer to the question must bear workings, notes and formula where necessary.)

**Section-I : Management Accounting**

1. a) Enumerate the tools and techniques used in Management Accounting. 6
- b) What are the major differences and similarities between Financial Accounting and Management Accounting? 7
- c) How does Management Accounting assist in Islamic banking business? 7
2. a) What do you mean by Break-Even Point? Explain the limitations of Break-Even analysis. 8
- b) A company is producing similar products in its two factories. Details of both factories are as follows: 12

Particulars	A	B
Selling Price per unit (Tk.)	200	200
Variable Cost per unit (Tk.)	150	140
Fixed Cost (Tk.)	8,00,000	10,00,000
Depreciation included in Fixed Cost (Tk.)	1,20,000	1,10,000
Sales in units	60,000	40,000
Production capacity (Units)	80,000	60,000

**Requirements :**

- i. Calculate Break Even Point (BEP) of each factory independently.
  - ii. Calculate Margin of Safety for the company as a whole.
  - iii. If the variable costs increased by 8% and 12% in the factory A and B respectively, what will be the consequences?
  - iv. If selling price is reduced by 5%, what would be BEP sales in amount of Taka and in Units for both the factory?
3. a) What are the ratios used in the Internal Credit Risk Rating System (ICRRS)? 5
  - b) The following information taken from the profit and loss account of Jeba Ltd. for the year ended 31<sup>st</sup> December, 2020: 15

<u>Particulars</u>	<u>Taka</u>
Turnover	64,00,000
Gross profit	39,00,500
Net Profit	9,40,000
Dividends	1,10,000

**The following information taken from balance sheet of Jeba Ltd. as on 31<sup>st</sup> December 2020:**

<u>Particulars</u>	<u>Taka</u>	<u>Taka</u>
Fixed Assets		84,00,000
Current Assets	32,50,000	
Creditors (Current liabilities)	26,00,000	
Net Current Assets		<u>6,50,000</u>
Total Assets		90,50,000
Creditors (Long Term) Debentures		<u>20,00,000</u>
		70,50,000
		=====
Ordinary Shares of Tk.1 each		50,00,000
Reserve		<u>20,50,000</u>
		70,50,000
		=====

**Additional Information:**

- i. The value of closing stock as at 31<sup>st</sup> December 2020 was Tk.98,000.
- ii. The market price of an ordinary share on 31<sup>st</sup> December 2020 was Tk.1.12

**From the above information, calculate the following ratios:**

- a) Gross Profit Margin
  - b) Net Profit Margin
  - c) Return on Capital employed
  - d) Acid Test Ratio
  - e) Current Ratio
  - f) Price Earnings Ratio
4. a) Why Cash Budget is so important for business entity? 5
- b) Sabah Limited operates a retail business. Purchases are sold at cost plus  $33\frac{1}{3}\%$ . 15

<b>Amount in Taka</b>			
<b>Month</b>	<b>Budgeted Sales</b>	<b>Labor Cost</b>	<b>Expenses Incurred</b>
January	40,000	3,000	4,000
February	60,000	3,000	6,000
March	1,60,000	5,000	7,000
April	1,20,000	4,000	7,000

- i) It is a management policy to have sufficient inventory in hand at the end of each month to meet half of the next month's sales demand.
- ii) Suppliers for materials and expenses are paid in the month after the purchases are made/expenses incurred. Labour is paid in full by the end of each month.
- iii) Expenses include a monthly depreciation charge of Taka 2,000.
- iv) a. 75% of sales are for cash.  
b. 25% of sales are on one month's credit.
- v) The Company will buy equipment costing Taka 18,000 for cash in February and will pay a dividend of Taka 20,000 in March. The opening cash balance at 1 February is Taka 1,000.

**Prepare a cash budget for February and March with comments on the result.**

**Section-II**  
**(Financial Management)**

5. a) What is Time Value of Money? 4  
 b) Mr. Hasan plans to purchase a house costing Tk.1,50,00,000. He makes a down payment of Tk.50,00,000 and avail investment facilities under HPSM mode for the rest with a 5 year fixed rate of rent. The payments are made in quarterly installment with the first payment due at t=1. The rate of return is 12% per annum compounded quarterly. Calculate the installment of the quarterly payment. 8  
 c) You have been making following Mudaraba Muhar Savings Account (MMSA) deposits on the last day of every month. 8

Month	Taka	Month	Taka
January 2020	1,500	July	3,500
February	2,000	August	3,500
March	2,000	September	4,000
April	2,500	October	4,000
May	3,000	November	3,500
June	3,000	December	3,000

**The rate of return is 12% compounded monthly. How much will you have on January 1, 2021.**

6. a) What are the decision rules for judging the worth of investment in the capital budgeting technique based on the NPV and Profitability Index? 5  
 b) ABC Pharmaceuticals Company Ltd. is a public limited company listed with the stock exchanges. Now, the company would like to set up a highly sophisticated vaccination plant for the production of COVID vaccine with the joint collaboration with Germany based company named as 'Bio Derm'. The estimated cost of the plant would be BDT 50,00,000. The life time of the plant will be for 5 years with the salvage value of BDT 5,00,000. The company follow the straight line depreciation method. The company is in 40% tax bracket and the discount rate is 12%. The Net Cash Benefit(NCB) of the project are as follows: 15

Year	NCB
1	Tk.15,00,000
2	Tk.16,00,000
3	Tk.14,00,000
4	Tk.17,00,000
5	Tk.16,00,000

**Calculate NPV, ARR, and Profitability Index.**

7. a) What is Financial Risk? 4  
 b) How is the cost of capital relevant in Investment decision? 6  
 c) A company has on its books the following amount and specific costs of each type of the capital. The company is in tax bracket of 35%. 10

Type of Capital	Book Value (Taka)	Market Value (Taka)	Specific Cost
Debt	8,00,000	10,00,000	9%
Preference Share	2,00,000	4,00,000	8%
Ordinary Share	12,00,000	16,00,000	15%
Retained Earnings	4,00,000	6,00,000	12%
<b>Total Amount</b>	<b>26,00,000</b>	<b>36,00,000</b>	

**Determine the Weighted Average Cost of Capital using Book value weights & Market value weights.**

8. Write short notes on any 05 (Five) of the following: 5x4=20
- |                                    |  |
|------------------------------------|--|
| a) Operating Lease & Finance Lease | b) Sukuk and Securitization                      |
| c) Dividend Policy                 | d) Internal Credit Risk Rating System            |
| e) Mudaraba Perpetual Bond         | f) IRR   |
| g) P/E ratio                       | h) Total Working Capital and Net Working Capital |

**The End**