

Diploma in Islamic Banking Examination, May-2022

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) What is Management Accounting? Discuss the role of management accounting in performing daily activities of a bank in most efficient and effective manner. 8
- b) A company produces and sells mobile sets. Selling price and variable cost per set are of Tk.8,000 and Tk. 6,000 respectively. Fixed cost per year is Tk. 3,60,000. The company belongs to 40% tax bracket.
- You are required to determine** 12
- (i) Break-Even Sales in Units and Volume;
- (ii) Sales volume to earn a profit of Tk.6,00,000 before-tax and sales volume to earn a profit of Tk.4,50,000 after-tax.

2. a) State and highlight the significance of the financial ratios which are very useful for studying the liquidity and long-term solvency of a firm. 6
- b) Industry A has three companies whose income statement and balance sheets are summarized below: 14

	Company X	Company Y	Company Z
Sales	Tk.5,00,000	(iv)	(vii)
Net income	Tk. 25,000	Tk. 30,000	(viii)
Total assets	Tk. 1,00,000	(v)	Tk.2,50,000
Total asset turnover	(i)	(vi)	0.4
Profit margin	(ii)	0.4%	5%
Return on total asset (ROA)	(iii)	2%	(ix)

Find out the missing data in the table. Comment on the relative performance of each company.

3. a) Describe the methods of determining cash flow from operations. 8
- b) Alif Industries produced 2500 units of ceiling fans during the year 2021 out of which 2000 units were sold @Tk.2500 per unit. Cost of the fans produced by Alif Industries were as follows:

Materials	Tk. 7,00,000
Direct labor	5,00,000
Factory overhead:	
Fixed	1,50,000
Variable	1,25,000

Fixed marketing and administrative expenses was Tk. 1,00,000.

You are required to prepare:

- i) An Income Statement under the Absorption Costing and the Variable Costing Methods; 8
ii) A Reconciliation Statement showing the reasons of differences in net profit figure of two methods. 4
4. Distinguish between any 4 (four) of the following: 5x4=20
i) Fund Flow Analysis and Cash Flow Analysis ii) Basic EPS and Diluted EPS
iii) Absorption Costing and Variable Costing iv) Static Budget and Flexible Budget
v) Return on Asset (ROA) and Return on Equity (ROE)
vi) Cross-sectional Analysis and Time-series Analysis

Section-II :Financial Management

5. a) What is meant by effective rate of return? Why is it different from Nominal rate of return? 4
b) You have currently Tk.1,00,000 to deposit in an Islamic Bank under Mudaraba Term Deposit Receipts (MTDR) on auto renewal basis. You have been informed that the provisional rate of profit for 3 months MTDR is 6% followed by 6.50% for 6 months and 6.70% for 12 months.
Requirements:
i) What would you get at the end of three years on each alternative? 4
ii) What would be the effective rate of return on each alternative and which plan should you choose? 4
c) Mr. Chowdhry plans to purchase a machine valuing Tk.75,00,000 availing investment under HPSM mode for 5 years at the ratio of client to bank 80:20 at monthly installment basis with $t = 0$. The rate of return is 9% per annum. Calculate the installment of the monthly payment. 8
6. a) Define cost of capital. Why is the cost of debt calculated on an after-tax basis? 4
b) The Ha-Mim Company has the following capital structure as on 30 June, 2021:

Source of capital	Amount (Tk.)
Ordinary share capital- 2,00,00 shares @ Tk.20 each	40,00,000
10% Preference shares	10,00,000
14% Debenture	30,00,000
Total	<u>80,00,000</u>

The shares of the company are sold for Tk. 20 each. It is expected that the company will pay next year a dividend of Tk.2 per share, which will grow at 7% for ever. Assume a 50% tax rate.

You are required to compute:

- i) Weighted Average Cost of Capital based on existing capital structure. 8
ii) The Marginal Weighted Average Cost of Capital if the company raise an additional Tk.20,00,000 debt by issuing 15% debenture. This would result increase of expected dividend to Tk.3 and leave the growth rate unchanged but the price of share will fall to Tk.15 per share. 8

7. a) Distinguish between Average Rate of Return (ARR) and Internal Rate of Return (IRR) as a technique of capital investment decisions. 4
- b) A Company is considering a project worth Tk.80,000. It has a 5-year life having salvage value of Tk.10,000. The company has a 9% cost of capital and belongs to a 40% tax-bracket. The company uses straight-line method of depreciation. Projected net cash flows before tax are as follows:

At the end of Year (t)	Cash flows before taxes (CFBT)
1	Tk. 20,000
2	25,000
3	30,000
4	35,000
5	40,000

You are require to compute:

- i) Payback Period 3
- ii) Average Rate of Return (ARR) 3
- iii) Net Present Value (NPV) 3
- iv) Internal Rate of Return (IRR) 3
- v) Evaluate the acceptability of the project. 4
8. Write short notes on **any 5 (Five)** of the following: 5x4=20
- a) Financing Mix b) Investment Sukuk c) Bonus Share
- d) Hybrid Security e) Capital Adequacy Ratio f) Capital Rationing
- g) Operating Cycle h) Risk Weighted Assets (RWA)

The End