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**Diploma in Islamic Banking Examination, November 2022**

**204: Management Accounting and Financial Management**

**Part :II                      Full Marks: 100**

**Time: 3 Hours      Pass Marks: 45**

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

**Section-I: Management Accounting**

1. a) Point out the major differences and similarities between Financial Accounting and Management Accounting. 5
- b) Discuss the tools and techniques used in management accounting for planning, controlling and making decisions in a banking business. 5
- c) Calculate Prime Cost, Total Manufacturing Cost, Cost of Goods Manufactured, Total Cost, Cost of Goods Sold and Sales of a manufacturing company from the information given below: 10

Raw material used	Tk.40,000
Work in Process - Beginning	Tk.50,000
Work in Process - Ending	Tk.60,000
Finished Goods - Beginning	Tk.1,40,000
Finished Goods - Ending	Tk.80,000
Direct Wages	1,400 hours @ Tk.20 per hour
Direct Expenses	Tk.70,000
Indirect Materials	Tk.40,000
Indirect Labor	Tk.90,000
General and Administrative Expense	
Fixed	Tk.60,000
Variable	10% of prime cost
Marketing Expense	
Fixed	Tk. 30,000
Variable	5% of goods manufactured
Profit	15% on sales

2. a) State the assumptions and limitations of Cost-Volume-Profit (CVP) Analysis. 4
- b) Two manufacturing companies which have the following operating details decided to merge:

Particulars	Company A	Company B
<b>Capacity Utilization</b>	<b>85%</b>	<b>80%</b>
Sales	Tk.60,00,000	Tk.50,00,000
Variable Cost	Tk.40,00,000	Tk.35,00,000
Fixed Cost	Tk.10,00,000	Tk.8,00,000

**Requirements:**

- (i) Determine the Break-Even Sales of Company A and Company B separately. 4
- (ii) Determine Break Even Sales of merged plant at capacity utilization at given stage. 4
- (iii) Determine Profitability of the merged plant at 90% capacity utilization assuming the merged plant will be able to sell all products it produces without further increase in fixed cost. 4
- (iv) Sales turnover of the merged plant to earn profit of Tk.25,00,000 assuming total fixed cost will be reduced by Tk.300,000 due to the effect of synergy. 4

3. a) Discuss the techniques that are most frequently used for analyzing financial statement of a firm. 4
- b) The following selected financial data has been taken from the Income Statement for the year ended on 30th June, 202A and the Balance Sheet as on 30<sup>th</sup> June, 202A of Rashna Industries Ltd.:

Sales	Tk.32,00,000
Cost of Goods Sold	Tk.17,00,000
Net Income	Tk.5,00,000
Dividends	Tk.3,00,000
Fixed Assets	Tk.47,00,000
Current Assets	Tk.16,50,000
Current Liabilities	Tk.13,50,000
10% Debenture (20-year maturity, 5 years have yet to run)	Tk.10,00,000
8% Preference Shares of Tk.100 each	Tk.5,00,000
Ordinary Shares of Tk. 10 each	Tk.30,00,000
Reserve and Surplus	Tk.5,00,000

Additional information:

- Ending inventory was Tk. 50,000.
- Market price of the share on 30<sup>th</sup> June, 202A was Tk. 11.20
- Ignore Tax.

2x8=16

**You are required to determine:**

- Net Income Margin Ratio
  - Current Ratio
  - Acid-Test Ratio
  - Long-Term Debt to Equity Ratio
  - Time Interest Earned Ratio
  - Return on Asset (ROA)
  - Return on Equity (ROE)
  - Price-Earning (P/E) Ratio
4. You have been assigned with the responsibility of preparing a month-wise cash budget for the quarter ended June 202A to know the cash position of Mim Company. The following data are available for the next six months ended June, 202A:

(Amount in Tk.)

Month	Sales	Materials	Wages	Overheads
January	1,50,000	75,000	10,000	25,000
February	1,60,000	80,000	11,000	26,000
March	1,70,000	85,000	12,000	30,000
April	1,80,000	90,000	13,000	31,000
May	1,90,000	95,000	14,000	32,000
June	2,00,000	1,00,000	15,000	33,000

**Credit Terms:**

- Period of credit allowed by material supplier – 2 months.
- Lag in payments of overheads – 1 month.
- No lag in payment of wages.

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**Other information:**

- i. Plant to be installed in January at a cost of Tk. 50,000 and will be paid @ Tk.10,000 on monthly basis starting from February 202A. Cost to be incurred to the tune of Tk.10,000 for extension of Research Department in March and payment to be made in April.
- ii. Plant depreciation for the quarter is to be charged in May, 202A for Tk.5000.
- iii. 60% of total sales are on cash. 20% of credit sales will be received in the month following sale and 15% of credit sale in the next month while the rest 5% will not be recoverable.
- iv. Payment of Tk.10,000 is to be made under a hire purchase contract throughout the budgetary period.
- v. Dividend from investment of Tk.50,000 is expected to be received in June, 202A.
- vi. Tax of Tk. 1,00,000 is due on 30 June 202A.
- vii. Cash balance at the beginning of April is Tk. 1,00,000.

**Section-II: Financial Management**

5. a) What is meant by the concept Time Value of Money? Does Islamic Finance support the concept of time value of money? Explain. 5
- b) A woman has decided to provide grant for Tk. 3,00,000 to a private university for poor students every year for the next ten years. The first grant is to be awarded one year from now. If the university can earn a 6% return annually on their investment, compounded annually how much should the woman give now? 5
- c) Rainbow Company needs Tk. 10,00,000 in 5 years to replace a piece of equipment which will have salvage value of Tk. 2,00,000. How much Rainbow Company needs to invest each year in order to provide this replacement assuming the company will be able to earn 8% per annum compounded annually? 5
- d) Mr. X bought a flat for Tk. 55,00,000. As per contract he will pay Tk. 15,00,000 immediately and the balance amount in 15 annual equal installments with 10% per annum compound interest. How much he has to pay annually? 5
6. a) Does dividend policy of a company affect the pricing of share in the market? Explain. 5
- b) Discuss the relative merits of Lease Financing and Hire Purchase under Shirkatul Melk (HPSM). 7
- c) Calculate the Weighted Average Cost of Capital based on the information below: 8

Source of capital	Book Value (Tk.)	Related Information
8% Debt	2,00,000	Corporate Tax Rate 37.50%
9% Preference share	1,00,000	No Floatation Cost
Common equity	2,00,000	Risk-Free Rate ( $K_F$ ) = 4%, Return on Market Portfolio ( $K_M$ ) = 12% Beta ( $\beta$ ) = 1.20
Retained earnings	3,50,000	

7. a) Evaluate Internal Rate of Return (IRR) as a technique of capital investment decisions. 5
- b) Two mutually exclusive projects have the following projected cash flows with cost of capital @12%.

Year	Project A	Project B
0	(Tk. 40,000)	(Tk. 40,000)
1	14,000	23,000
2	14,000	12,000
3	14,000	10,000
4	14,000	9,000

**Requirements :**

- (i) Payback Period 4
- (ii) Internal Rate of Return (IRR) 4
- (iii) Profitability Index (PI) for each project 4
- (iv) Which project should be accepted and why? 3
8. Write short-notes on **any 5 (five)** of the following: 5x4 = 20
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|-------------------------------|--------------------|
| a) Zero-Coupon Bond           | b) Prime Rate      |
| c) Compensating Balance       | d) Ex-Dividend     |
| e) Revolving Credit           | f) Operating Cycle |
| g) Sale-Leaseback Arrangement | h) Venture Capital |

**THE END**