

MBS / Third Semester / ACC 519: Accounting for Financial and Managerial Decision and Control

Candidates are required to answer the questions in their own words as far as practicable. Figures in brackets indicate full marks.

Group "A"

Case / Situational / Extended Problem Analysis Questions

Attempt all question: [30]

1. Read the following situations and answer the questions given follow:

The Comparative Balance sheet and Income Statement of Bishal Company are provided as follows:

Balance Sheet
As on 31st December

Liabilities	2024 (in Rs)	2025 (in Rs)	Assets	2024 (in Rs)	2025 (in Rs)
Equity Share capital	275,000	390,000	Land	250,000	160,000
Preference share capital	100,000	100,000	Plant & Machinery	600,000	775,000
10% Debenture	150,000	75,000	Accumulated depreciation	(250,000)	(290,000)
Accrued liabilities	45,000	50,000	Inventories	50,000	75,000
Bank Overdraft	25,000	30,000	Prepaid expenses	18,000	2,000
Account payable	140,000	145,000	Account receivable	69,000	80,000
Provision for tax	15,000	5,000	Cash at Bank	40,000	25,000
Retained earning	27,000	32,000			
Total	777,000	827,000	Total	777,000	827,000

- e. Net value added to capital employed. Is it satisfactory?
f. "Cash Flow Statement is communication tools that provides relevant information for making investment decisions". Explain. [10+6+4+5+2+3]

Group "B"

Problem Solving / Critical Analysis Questions

Answer any THREE questions: [3 × 15 = 45]

2. A company is trying to install a recently introduce machine that cost Rs 220,000, which required installation and transportation costs of Rs 30,000. The cash flows (CFAT) and respective probability are as follows:

Year 1		Year 2		Year 3	
Cash flow	Probabilities	Cash flow	Probabilities	Cash flow	Probabilities
50,000	0.10	40,000	0.15	30,000	0.10
60,000	0.25	50,000	0.20	40,000	0.20
70,000	0.30	60,000	0.30	50,000	0.40
80,000	0.25	70,000	0.20	60,000	0.20
90,000	0.10	80,000	0.15	70,000	0.10

The risk-free cost of capital is 5%. Assume cash flows for future periods are independent.

Required:

- Initial investment.
- Net present value of expected cash flow.
- The standard deviation of expected cash flow.
- The probability of expected NPV is less than zero and more than Rs 30,000.
- Probability of expected NPV being more than 50,000.

[1+3+6+3+2]

Income Statement

For the year ended 31st December 2025

Particulars	Details (Rs)	Totals (Rs)
Sales Revenue		4,00,000
Less: Cost of goods sold:		
Opening stock	25,000	
Purchases	215,000	
Closing stock	(40,000)	
Direct wages	40,000	(240,000)
Gross profit		160,000
Less: Operating expenses:		
Salary to staff	35,000	
Selling expenses	30,000	
Depreciation on plant	60,000	
Interest on loan	10,000	
Redemption debenture premium	5,000	
Loss on sales of the plant (costs Rs 50,000, accumulated depreciation Rs 20,000)	10,000	(150,000)
Net Income before other gains		10,000
Add: Dividend revenue		5,000
Net income before tax		15,000
Less: Tax provision		(5,000)
Net Income after tax		10,000
Less: Dividend paid		(5,000)
Retained Earning		5,000

Required:

- The Cash Flow Statement shows operating, financing, and investing activities.
- Analyze the cash flow statement and comment on the company's financial performance.
- Why the preparation of a cash flow statement is essential along with Balance Sheet preparations? Explain.
- Statement of value added.

3. The income statement of the cosmetic company Ltd. has been given below:

Particulars	Beauty cream	Sun block cream	Total
Sales units	18,000	12,000	30,000
Net sales revenue	360,000	120,000	480,000
Less: Variable cost of goods sold	180,000	60,000	240,000
Contribution margin	180,000	60,000	240,000
Less: fixed cost;			
Joint cost	50,000	40,000	90,000
Departmental cost	46,000	14,000	60,000
Total fixed cost	96,000	54,000	150,000
Net income	84,000	6,000	90,000

The company received a special offer to supply 12,000 units of Beauty Cream in a different brand at Rs 15 per unit. The special product would need a material cost of Rs 5 per unit, direct wages cost of Rs 4 per unit, and variable manufacturing cost of Rs 2 per unit. The company has been able to utilize its capacity in the past and the production of special products would be possible only if, the production and sales of sunblock cream could be declined by 5,000 units. However, the special product would need additional investment in the special device of Rs 24,000 and would have to spend Rs 6,000 for setup cost

Required:

- Should the company accept the special offer? Give your answer by showing differential cost analysis,
- Calculate the opportunity cost of an offer. (If any based on the requirement (a)).
- What would happen to your decision, if the company received 20,000 units for a special offer of Beauty Cream at Rs 14 per unit, if does so, production and sales units of Sun Block Cream will decline by 8,000 units, but the special product would require additional investment in the special device of Rs 30,000 and would have to spend of Rs 14,000 for setup cost.

[6+3+6]

4. "Management accounting information is used as a control tool for corporate planning and implementation and without it, the business cannot survive in this competitive age." Justify this statement with suitable examples.
5. "Financial statement analysis is a history report. Therefore they are not useful to outside creditors and investors, who want to predict future returns and risk". Do you agree? In the light of above statement explain the importance and Limitation of financial statement analysis for decision-making and control.

Group "C"

Concept Based Short Answer Questions

Answer any FIVE questions:

[5 × 5 = 25]

6. Explain the qualitative characteristics of accounting information systems.
7. What is the transfer price? Explain the features of transfer price..
8. Following information about a company is provided below:

Normal capacity	60,000
Production unit	60,000
Direct material cost	Rs 50 per unit
Direct wages cost	Rs 40 per unit
Direct expenses	Rs 20 per unit
Variable manufacturing cost	Rs 10 per unit
Fixed manufacturing cost	Rs 240,000
Variable selling and administrative cost	Rs 10 per unit
Fixed non-manufacturing cost	Rs 160,000
Capital employed	Rs 1,000,000

The company expects to earn a 20% return on investment

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Required: Markup percentage and selling price per unit under:

- Manufacturing variable cost-plus pricing
- Total variable cost plus pricing
- Absorption costing plus pricing
- Full cost plus pricing

9. You are given the following financial transaction.

Long-term debt to net worth	0.5:1
Total assets turnover ratio	2.5 times
Average collection period	18 days
Inventory turnover ratio	10 times
Gross profit margin	10%
Acid test ratio	1:1

Assume a 360-day working a year and all sales on credit.

Required: Using the above information, complete the following financial position:

Assets	Amount (Rs.)	Liabilities and capital	Amount (Rs.)
Cash and bank		Account payable	100,000
Account receivable		Long term debt	
Inventory		Common stock	100,000
Plant and machinery		Retained earning	100,000
Total assets	Rs.....	Total liabilities & equity	Rs.....

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10. Following information is provided to you relating to ABC Traders for the year ended 2082.

Sales	725,000	Sales return	30,000
Rent paid	30,000	Salary expenses	45,000
Administrative expenses	36,000	Custom duty	15,000
Depreciation on assets	20,000	Carriage outward	13,000
Insurance premium	17,000	Interest received	10,000
Gain on sales of assets	10,000	Interest paid	15,000
Showroom expenses	13,000	Income tax expenses	25,500
Advertisement expenses	25,000	Opening stock	50,000
Wages	25,000	Purchases	400,000

Additional information:

- > A dividend of Rs 30,000 was declared at the end of the year.
- > Transfer to the general reserve of Rs 20,000.
- > Closing stock at the end of the year Rs 80,000.
- > Wages dues Rs 5,000 and insurance premium paid in advance Rs 2,000.

Required: Multi-step income statement and statement of retained earnings of ABC Traders. [4+1]

11. Write the short note on: (any two)

- Sensitivity analysis
- International financial reporting standard (IFRS).
- Factors affecting drop or continue decision.

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Office of the Dean

August - September 2026

Full Marks: 100

Pass Marks: 50

Time: 4 Hrs

MBS / Third Semester / FIN 688: Corporate Finance

Candidates are required to answer all the questions in their own words as far as practicable. Figures in brackets indicate full marks.

Group "A"

Case / Situational / Extended Problem Analysis Questions

Attempt all question:

[30]

1. Read the following situation prudently and answer the questions that follow:

Yashraj Company has decided to acquire a new market data and quotation system for its corporate office. The system receives current market prices and other information from several on-line data services, then either displays the information on a screen or stores it for later retrieval by the firm's brokers. The system also permits customers to call up current quotes on terminals in the lobby.

The equipment costs Rs 1,000,000, and, if it were purchased, Yashraj could obtain a term loan for the full purchase price at a 10 percent interest rate. The equipment has a four-year useful life. The equipment is depreciated under straight line method. The expected salvage value is Rs 120,000.

As an alternative to the borrow-and-buy plan, the equipment manufacturer informed Yashraj that Consolidated Leasing would be willing to write a 4-year lease on the equipment for payments of Rs 250,000 at the end of each year. Yashraj's marginal federal-plus-state tax rate is 40 percent. You have been asked to analyze the lease-versus-purchase decision, and in the process to answer the following questions:

Questions:

- Who are the two parties to a lease transaction? Briefly explain the five primary types of leases.
- What is the present value cost of owning the equipment?
- What is Yashraj's present value cost of leasing the equipment?
- What is the net advantage to leasing (NAL)? Does your analysis indicate that Yashraj should buy or lease the equipment?
- Now suppose annual maintenance cost of Rs 50,000 is included in lease rent. How does this information affect cost of owning, cost of leasing and lease Vs purchase decision? [6+8+8+3+5]

Group "B"

Problem Solving / Critical Analysis Questions

Answer any THREE questions:

[3 × 15 = 45]

- Discuss the merits and demerits of various method of issuing securities. Also explain the process of public offering of the securities.
- Nepal Oil Corporation has Rs 15 million in earnings before interest and taxes. Currently it is all equity financed. It may issue Rs. 30 million in perpetual debt at 15 percent interest to repurchase stock, thereby recapitalizing the corporation. There are no personal taxes.
 - If the corporate tax rate is 40 percent, what is the income to all security holders (1) if the company remains all equity financed? (2) if it is recapitalized?
 - What is the present value of the debt tax shield?
 - The required return on equity for the company's stock is 20 percent while it remains all equity financed. What is the value of the firm? What is the value if it is recapitalized? [6+3+6]
- Collins Incorporation estimates that due to the seasonal nature of its business, it will require an additional Rs 400,000 of cash for the month of August. Collins has three options available to provide the needed funds listed below.

P.T.O.

- i. Forego the August trade discount of 3/15, net 30 on Rs 400,000 of accounts payable.
- ii. Establish a one-year line of credit for Rs 400,000 with a commercial bank. The commitment fee will be 0.5 percent, and the interest charge on the used funds will be 14 percent per annum. The minimum time the funds can be used is 30 days.
- iii. Issue Rs 400,000 of 60 days commercial paper at a 12 percent per annum interest rate. Since the funds are required for only 30 days, the excess funds can be invested in 10 percent per annum marketable securities for the month of September. The total transaction fee on the marketable securities is 0.4 percent of the fair value.

Questions:

- a. Calculate the total cost of three alternatives. Which alternative is preferred?
 - b. Is the source with the lowest expected cost necessarily the source to select? Why or why not? [(3+3+4+2)+3]
5. The common stock of the Dishhome Corporation earns Rs 25 per share, has a dividend payout of two-thirds, and sells at a P/E ratio of 16. Dishhome wishes to offer Rs 100 million of 10 percent, 20-year convertible debentures with an initial conversion premium of 20 percent and a call price of Rs 1,050. Dishhome currently has 10 million common shares outstanding and has a 40 percent tax rate.
- a. Describe the reasons for issuing convertibles.
 - b. What is the conversion price?
 - c. What is the conversion ratio per Rs 1,000 debenture? And how many new shares of common must be issued if all debentures are converted?
 - d. If Dishhome can increase operating earnings by Rs 10 million per year with the proceeds of the debenture issue, compute the new earnings per share and earnings retained before and after conversion. [4+3+4+4]

Group "C"

Concept Based Short Answer Questions

Answer any FIVE questions:

[5 × 5 = 25]

6. Discuss the application of agency theory to financing decision.
7. Explain the advantages and disadvantages of long-term debt financing.
8. Axis Co. has employed debt capital of Rs 20 million paying interest rate of 10 percent and EBIT amounted to Rs 5 million per year. The company's cost of equity capital is assumed to be constant at 15 percent. Given these information, calculate value of the firm's common stock, the firm's market value, and overall cost of capital using Net Income Approach (NIA).
9. Yeti company common stock is priced at Rs 160 a share on the market. Notice is given that stockholders can purchase one new share at a price of Rs 110 for every four shares held. At approximately what market price will each right sell? Also calculate ex-right price. [3+2]
10. B & J paints has outstanding warrants that are exercisable at Rs 100 per share. They entitle the holders to purchase 3 shares of common stock at the option of the holders. The shares of B&J paints are currently selling for Rs 112.50 per share. What is the theoretical value of a warrant? If the market value of each warrant is Rs 40, what is the warrant premium? [3+2]
11. Write short notes on: (any two)
 - a. Optimal capital structure
 - b. Cumulative voting
 - c. Voluntary liquidation



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Time: 4 Hrs

MBS / Third Semester / MGT 524: Entrepreneurship

Candidates are required to answer all the questions in their own words as far as practicable. Figures in brackets indicate full marks.

Group "A"

Case / Situational Analysis Questions

1. Read the following situation prudently and answer the questions that follow: [30]

Ride-sourcing has recently been at the center of attention associated with the so-called shared mobility era. It is an arrangement where a driver makes a car available for public hire. The passenger uses a third-party digital platform, such as a website or an app, to request a ride, such as, Pathao, Tootle, InDrive, Taximandu, and others.

The digital ride-sourcing platforms have come mainly in Kathmandu valley with amazing technology and features. Now, the drivers don't have to wait for passengers on the roadside anymore. They receive a request from passengers on the app. These platforms have brought revolution on the traditional commuting system. Further, they have radically changed the competitive landscape in Nepal where the syndicate system used to fleece travellers has been a deep-rooted disease.

Many people have had terrible experiences in taxi as the drivers charge more than the rate fixed by the government. Furthermore, bad attitude and rude behavior of the drivers are also significantly reported. Also, people prefer online services as they can request a taxi to come to their doorstep and they do not have to bargain over the fare. The ride-sourcing business is booming in the valley because travellers have limited options with the chaotic public transportation.

The online services are also safe because all vehicles are traceable through the GPS system.

Until a few years ago, the drivers were opposing the ride-sourcing apps. However, they now have changed the market dynamics, and more and more taxi drivers are joining the digital platforms. With online services gaining popularity, many online taxi service providers, including multinationals, are planning to enter Nepal which is changing the competitive landscape of the industry. For instance, a US-based multinational company inDrive has started a trial run of its app. With fierce competition in the market, the customers are benefitted a lot.

Besides financial benefits, the drivers join the platform for flexibility and freedom while an unreliable navigation algorithm, high competition between drivers, high-commission fee, and misleading guidance are some common drawbacks of the system. Furthermore, the industry experts say that having no proper laws governing ride-sourcing services is a major challenge.

Questions:

- The growth of digital ride-sourcing platforms is likely to open doors for further entrepreneurship in Nepal. Do you agree with this statement? Justify your answer.
- Based on the concept of case, suggest what types of digital business might be useful in Nepalese context.
- Develop a brief business plan to a rideshare company that wants to enter into Nepalese market.

Group "B"

Problem Solving / Critical Analysis Questions

Attempt Any **THREE** questions:

[3 × 15 =

- Success of entrepreneurial business rest on the feasibility assessm Discuss the statement based on financial and market feasibility.

3. Discuss the risks involved in entrepreneurship development. How can an entrepreneur overcome or minimize such risks?
4. It is claimed that institutional support to new entrepreneurial business is weak in Nepal. Do you agree with the claim? Assess the position of institutional support to entrepreneurial business in Nepal.
5. Creativity and innovation are the key features of entrepreneurship. In the light of the statement, how Nepali entrepreneurial business innovate new products and services.

Group "C"

Concept Based Short Answer Questions

Answer any FIVE questions:

[5 × 5 = 25]

6. Explain types of entrepreneur with examples.
7. Describe in brief the impact of social enterprise.
8. Illustrate the difference between business canvas model and lean canvas model.
9. What is a business plan? What are its benefits? Explain.
10. How do you select best idea? Explain.
11. Assess the Nepalese political environment from the perspectives of developing entrepreneurship in Nepal.



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Pass Marks: 50

Time: 4 Hrs

MBS / Third Semester / MGT 522: International Business

Candidates are required to answer all the questions in their own words as far as practicable. Figures in brackets indicate full marks.

Group "A"

Case / Situational Analysis Questions

1. *Read the following situation prudently and answer the questions that follow:* [30]

The Organization for Economic Co-operation and Development (OECD) is an intergovernmental organization of 38 member countries with market-based economies who collaborate to develop policy standards to promote sustainable economic growth. The OECD published that the world is heading towards a global recession and prolonged stagnation. Supply-side shocks, declining consumer and investor confidence and the war in Ukraine have provoked a global slowdown and triggered inflationary pressures. The OECD projects that the world economy will grow by 2.6% this year and 2.9% in 2024. Likewise, the expansion remains to be 1.5% and 0.9% for the United States, 0.8% and 1.5% for the Euro zone, 5.3% and 4.9% for China, and 6% and 7% for India in the year 2023 and 2024. This is the evidence that the emerging-market economies in Asia are likely to be less affected by the global slowdown, as the China and India quickly rebounded the Covid.

The global slowdown is expected to hard hit the developing countries that are edging closer to debt default, health and climate crises. Additionally, climate shocks are heightening the risk of economic instability in middle- and low-income countries in Latin America and Africa, as they lack the fiscal space to deal with disasters. In addition to this, interest rate hikes by advanced economies are hitting the most vulnerable ninety developing countries who saw their currencies weaken against the dollar. A stronger dollar

makes the situation worse, raising the price of imports in developing countries. As consequences, devastating for the poor. It is estimated that interest rate hikes in the United States, for example, could cut \$360 billion of future income for developing countries (excluding China). Prices of commodities – particularly food and energy – climbed and will further climb posing significant challenges for households. In such situation, large multinational corporations with considerable market power can have taken undue advantage of the current context to raise markups to boost profits on the backs of some of the world's poorest people.

United Nations Conference on Trade and Development (UNCTAD) also published similar report. The report landscapes three global risks: current crises (i.e., global risks which are already unfolding), risks that are likely to be most severe in two years, and risks that are likely to be most severe in 10 years.

Some of them are wholly new and older risks such as inflation, cost-of-living crises, trade wars, capital outflows from emerging markets, widespread social unrest, geopolitical confrontation and comparatively new developments in the global risks that can be unsustainable levels of debt, low growth, low global investment and the growing pressure of climate change impacts. Similarly, energy supply crisis, food supply crisis, cyberattacks on critical infrastructure, weaponization of economic policy, a debt crisis; and failure of non-food supply chain are also forecasted risks for the 2023. The challenges for next two years are cost of living crisis, economic downtown, economic welfare, climate action and societal polarization. Likewise, natural economy, human health, human security, digital right of privacy and economic stability global distress will be key risk factors for next decade of world. Therefore, it is forecasted the decade will be shape of a unique, uncertain and turbulent decade. As expert of international business, answer the following questions.

Questions:

- Provide the synopsis of above case with major issues and problems.
- Estimate the market scenario for Nepali products in United state of America and Euro Zone for the next 5 years.

- c) Suggest the strategies to pursue Nepalese product in international market.

Group "B"

Problem Solving / Critical Analysis Questions

Attempt Any THREE questions:

[3 × 15 = 45]

2. Nepal has involved in different economic integration associations. However, Nepal is not able to gain benefits from such economic integrations. Discuss the statement. And also highlight the economic integration situation of Nepal.
3. International financial institutions are supporting to international business of Nepal. Highlight briefly on those major International Financial Institution which support Nepal's international business.
4. Political and cultural forces create risk in international business. How do you plan for minimizing risks created by political and cultural forces? Discuss.
5. Discuss on the global marketing strategies followed by business organizations in Nepal.

Group "C"

Concept Based Short Answer Questions

Answer any FIVE questions:

[5 × 5 = 25]

6. Differentiate domestic and international environment for conducting business.
7. What are the measures that the Nepalese government is adopting for the promotion of mercantilism theory in Nepal? Explain.
8. How do you manage currency risk in international business? Describe.
9. Describe the changing demographics of the global economy.
10. Explain two prominent strategies that are followed to enter into international market.
11. Explain the economic benefits of diversity management in international market.

