



Name : .....

Roll No. : .....

Invigilator's Signature : .....

**CS/BHMCT (N)/SEM-7/HM-707/2011-12**

**2011**

**FINANCIAL MANAGEMENT**

*Time Allotted : 3 Hours*

*Full Marks : 70*

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words  
as far as practicable.*

**GROUP – A**

**( Multiple Choice Type Questions )**

1. Choose the correct alternatives for any *ten* of the following :  
 $10 \times 1 = 10$ 
  - i) Balance Sheet is prepared
    - a) to check the accuracy of books
    - b) to know the financial position
    - c) to know the net profit or loss
    - d) to find out the value of assets.
  - ii) A budget-hotel must make use of
    - a) operating costing      b) process costing
    - c) job costing              d) multiple costing.



- iii) Which of the following is not regarded as tax shield in decision making ?
- a) Depreciation                      b) Tax payment
- c) Interest paid                      d) Dividend paid.
- iv) The liquidity ratio is referred to as :
- a) Quick ratio                      b) Acid test ratio
- c) Liquid ratio                      d) All of these.
- v) If production increases, variable cost will
- a) remain constant
- b) increase on a per unit basis
- c) vary inversely
- d) remain unchanged.
- vi) Cost of goods sold refers to
- a) Opening stock + Purchases – Closing stock
- b) Sales – Gross profit
- c) Both of these
- d) None of these.



- vii) While preparing Funds Flow Statement an increase in working capital is regarded as
- a) application of funds
  - b) source of funds
  - c) neither application nor source
  - d) both application as well as source.
- viii) Which of the following is not source of funds ?
- a) Issue of share capital
  - b) Sale of fixed assets
  - c) Issue of bonus shares
  - d) Issue of shares for consideration other than cash.
- ix) The current ratio of a firm is 2 : 1. Its net working capital is Rs. 20,000. The value of its current assets will be
- a) Rs. 30,000
  - b) Rs. 50,000
  - c) Rs. 20,000
  - d) Rs. 40,000.
- x) Trading account will disclose
- a) Operating profit
  - b) Net profit
  - c) Gross profit
  - d) Cost data.



- xi) Contribution is the difference between
- a) sales and fixed cost
  - b) sales and variable cost
  - c) sales and cost of goods sold
  - d) sales and semi-variable cost.
- xii) Which one of the following is a long-term source of finance ?
- a) Bank overdraft
  - b) Equity shares
  - c) Treasury bill
  - d) Commercial paper.

**GROUP – B**

**( Short Answer Type Questions )**

Answer any *three* of the following.

$$3 \times 5 = 15$$

2. Differentiate between profit maximization and wealth maximization.
3. Write the significance of Activity ratio and Profitability ratio.
4. What are the functions of Financial Management.
5. Write the important objectives of financial planning.
6. Write the advantages of cash flow statement.



**GROUP – C**  
**( Long Answer Type Questions )**

Answer any *three* of the following.  $3 \times 15 = 45$

7. Explain the determinants of working capital. Name any three sources of working capital.
8. The Financial Manager of a Company has to advice the Board of Directors on choosing between two compelling Project proposals of a hotel which require an equal investment of Rs. 10,00,000 and are expected to generate cash flows as under :

End of year	Project-I	Project-II
01	Rs. 4,80,000	Rs. 2,00,000
02	Rs. 3,20,000	Rs. 2,40,000
03	Rs. 2,00,000	Rs. 3,60,000
04	Rs. Nil (Compulsory shut down)	Rs. 4,80,000
05	Rs. 2,40,000	Rs. 1,60,000
06	Rs. 1,20,000	Rs. 80,000



Which Project proposal should be recommended and why ?

Assume the cost of capital to be 10% p.a.

The following are the present value factors at 10% p.a.

Year	01	02	03	04	05	06
FACTORS	0.909	0.826	0.751	0.683	0.621	0.564

9. a) What do you mean by equity share capital ?

Differentiate between equity share capital and preference share capital.

b) Explain the importance of issuing perpetual debentures and convertible debentures. ( 4 + 4 ) + 7

10. Write short notes on any three of the following : 3 × 5

- a) Common-size Analysis
- b) Overcapitalization and Undercapitalization.
- c) Flexible Budgeting
- d) Discount factor
- e) Cost control.



11. The Income Statements of a concern are given for the year ending on 31 Dec. 2010 and 2011. Rearrange the figures in a comparative form and study the profitability position of a Hotel in Kolkata.

Particulars	2010 Rs. '000	2011 Rs. '000
Net sale of food and room rent receipts	1785	1900
Cost of goods sold	450	500
<i>Operating Expenses :</i>		
General and administrative expenses	770	772
Selling expenses	80	90
<i>Non-operating expenses :</i>		
Interest paid	25	30
Income tax	70	80