Name : ....

Roll No. : ....

Invigilator's Signature : ....

CS/HM/SEM-5/BHM-504/2012-13

2012

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 the following : $10 \times 1 = 10$

   i) At break even point
      a) total Sales – Total Fixed Cost
      b) total Sales – Total Contributions
      c) Total Sales – total Variable Cost
      d) total sales – Total Cost.

   ii) the relation between current assets and cash under cash flow statement is
      a) inverse b) direct
      c) equal d) none of these.

   iii) Total Sales – BEP sales =
      a) Contribution b) Profit
      c) Loss d) None of these.

iv) Net working capital =

a) CA - CL

b) FA + CA – CL

c) Total Assets – Total Liabilities

d) CA – Bank overdraft.

v) 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.

vi) Hospital must make use of

a) Operating costing b) Process costing

c) Job costing d) Multiple costing.

vii) Which of the following is regarded as tax saving instrument in decision making ?

a) Depreciation b) Tax

c) Interest d) dividend.

viii) The liquid ratio is sometimes called as

a) Quick Ratio b) Acid Test Ratio

c) Liquid Ratio d) All of these.

ix) If production increases variable cost will

a) remain constant

b) increase on a per unit basis

c) vary invesely

d) remain unchanged.

x) Cost of good sold refers to

a) Opening stock + Purchases – Closing stock

b) Sales – Gross Profit

c) Both of these

d) None of these.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. $3 \times 5 = 15$

2. Calculate BEP in units & value from the following :

Sales :	Rs. 20,00,000
Variable cost :	Rs. 12,00,000
Fixed cost :	Rs. 4,00,000
Net profit :	Rs. 4,00,000
No. of units :	Rs. 1,00,000

3. State the various application of marginal costing.

4. Compute i) Sales ii) sundry debtors iii) closing stock from the given information:

Debtors velocity :	2 months
Gross profit ratio :	25%
Gross profit :	Rs 3,00,000
Stock turnover ratio :	8
Opening stock :	Rs. 1,05,000

5. Explain BEP graphically. State its assumptions.

6. What is Fund Flow statement ? Why is it prepared ?

GROUP – C

(Long Answer Type Questions)

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

7. While preparing a project report on behalf of a client you have collected the following facts. Estimate the net working capital required for the project. Add 10 % for contingencies.

Particulars	Amount per unit
Estimated cost per unit of production :	
Raw material	Rs. 80
Direct labour	Rs. 30
Overheads	Rs. 60
Total Cost	170

Additional Information

Selling price – Rs. 200 per unit

Level of activity – 1,04,000 units of production per annum

Raw materials in stock, average 4 weeks

Work in progress [assume 50% completion in case of conversions costs and 100% completion in case of materials] – average 2 weeks.

Finished goods in stock – average 4 weeks

Credit allowed by suppliers – average 4 weeks

Credit allowed to debtors – average 8 weeks

Lag in payment of wages – average 1.5 weeks

Cash at bank – Rs 25000

A year has 52 weeks. All sales are on credit basis only

8. Write short notes on any *three* of the following :

   a) Turnover ratios

   b) Wealth maximization objective of financial management

   c) Importance of the capital budgeting decision

   d) Factors affecting working capital decision

   e) Payback period method and its limitations

9. 'X' Ltd, is considering the purchase of new machine. Two alternatives are available having a cost price Rs. 200000 (two lakhs) each. The following inflows are expected during the five years. Life of both the machines is 5 years.

Year	**Machine A**	**Machine B**
1	20,000	60,000
2	60,000	80,000
3	80,000	1,00,000
4	1,20,000	60,000
5	80,000	40,000

The company is expecting 10% returns on its capital.

The not present value of Rs. 1 @ 10% is given as follows :

1st Year	0.909
2nd Year	0.826
3rd Year	0.751
4th Year	0.683
5th Year	0.620

You are required to appreciate the proposal on the basis of :

a. Pay – back period method

b. Average rate of return method

c. Net present value method

10. a) Define ratio. State any three advantages of ratio analysis.

b) With the help of the following ratios draw the Balance sheet of the company for the year 2008.

Current ratio		2.5
Liquidity ratio	1.5	
Net working, capital		Re. 3,00,000
Stock turnover ratio (Cost of sales/ Closing stock)		6 times
Gross profit ratio		20%
Fixed assets turnover ratio (on cost of slaes)		2 times
Debit collectionj Period		2 months
Fixed assets to shareholders net worth		0.80
Reserve and Surplus to capital		0.50

11. Two companies AB & CD sell same type of product in the same type of market. The following information is avaliable.

	AB Ltd	**CD Ltd**
Sales (Rs)	1,50,000	1,50,000
Variable cost (Rs)	1,20,000	1,00,000
Fixed costs	15,000	35,000
Net Budgeted profit	15,000	15,000

You are required to

a. calculate break even sales of each company

b. state which company will do better in conditions of

- Heavey demand
- Low demand