

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) Basic objectives of financial management is
a) Maximisation of profits
b) Maximisation of share holders' wealth
c) Ensuring financial descipline in the organization
d) None of these.
ii) Cash account is a
a) Personal account
b) Real account
c) Nominal account.

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iii) Gross working capital represents
a) Total current assets

b) Total current liabilities
c) Net current assets
d) None of these.
iv) The trial balance checks
a) arithmetical accuracy of books
b) the honesty of book-keeper
c) the valuation of closing stock.
v) Debt-equity ratio is
a) Liquidity ratio
b) Profitability ratio
c) Solvency ratio
d) None of these.
vi) Identify the one which is not a fixed asset
a) Furniture
b) Building
c) Debtors
d) Plant.
vii) In a balance sheet, investment is an element of
a) Asset
b) Liability
c) Sales
d) None of these.

CS/B.Tech (CSE, IT, EE)/SEPARATE SUPPLE/SEM-7/H0TOT/2011 viii) Materials issued are priced at the latest purchase in
a) FIFO
b) HIFO
c) LIFO
d) Simple average.
ix) Optimum capital structure is one
a) Maximum cost of capital
b) Minimum cost of capital
c) Normal cost of capital
d) None of these.
x) To a financial analyst 'working capital' means the same thing as
a) Total assets
b) Current assets
c) Fixed assets
d) Current assets minus current liabilities.

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GROUP - B
(Short Answer Type Questions)
Answer any three of the following.
2. Difference between NPV \& IRR.
3. What do you understand by 'time value of money'?
4. State the role of working capital in industry.
5. Explain the concept of CVP analysis with a simple example.
6. How is the NPV index used to evaluate the viability of any project?
7. Write notes on the following :
i) Master budget and
ii) Margin of safety.

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\text { GROUP - C }
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( Long Answer Type Guestions )
Answer any three of the following.
8. a) What is a Trial Balance ?

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b) Distinguish between Trial Balance and Balance sheet. 5
c) What are Ledgers ? 3
d) Distinguish between a Journal and a Ledger.

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9. For two projects $A$ and $B$ the initual investment and cash inflow in 1st and 2nd years are as follows :

| Projects | Initial investment | Cash flows ( Rs. ) |  |
| :---: | :---: | :---: | :---: |
|  |  | 1st Year | 2nd Year |
| $A$ | Rs. 10,000 | 10,000 | - |
| $B$ | Rs. 10,000 | 7,500 | 7,500 |

Calculate the
i) Pay-back period and
ii) NPV, assuming $12 \%$ discount rates of the projects. What is the IRR of project $A$ ?
10. a) Distinguish between break even point and shut down point.
b) The following data are obtained from the records of a factory -

Sales 5,000 units @ Rs. 40
Material consumed Rs. 60,000
Labour charge Rs. 40,000
Variable overhead Rs. 20,000
Fixed overhead Rs. 25,000.
Calculate -
i) Break even point ( sales )
ii) Sales needed to earn a profit @ $25 \%$ on sales.
iii) If it is proposed to reduce selling price by $10 \%$, find the sales to obtain the present profit.

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11. a) i) What do you understand by working capital ?
ii) State the elements of working capital. 隹的 5
b)

| Cost | $\frac{\text { Machine } X}{\text { Rs. 56,125 }}$ | $\frac{\text { Machine } Y}{\text { Rs. } 56,125}$ |
| :--- | :---: | :---: |
| Estimated life | 5 years | 5 years |
| Estimated salvage value | 3,000 | 3,000 |

Annual Income after tax and depreciation.

| Year | Rs. | Rs. |
| :---: | :---: | :---: |
| 1 | 3,375 | 11,375 |
| 2 | 5,375 | 9,375 |
| 3 | 7,375 | 7,375 |
| 4 | 9,375 | 5,375 |
| 5 | 11,375 | 11,375 |

Overhauling charges at the end of the third year for Machine A Rs. 25,000. Depreciation has been charged at straight line method. Discounting rate is $10 \%$, present value factor at $10 \%$ for five year are 0.909 , $0.826,0.751,0.683$ and 0.621 .

Suggest which project should be accepted.

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12. Answer any three of the following :
a) Write short note on Acid-test ratio
b) Write short note on Time value of money
c) Write short note on Debt equity ratio
d) What are liability ratios and what is their significance?
e) Define economic order quantity ( EOQ ). What are the limitations of the EOQ model ?

