	Utech
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Invigilator's Signature :	

# CS/B.TECH/EE/CSE/IT/ICE/SEP.SUPPLE/SEM-7/HU-701/2012 2012

## FINANCIAL MANAGEMENT AND ACCOUNTS

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) Net Working Capital is the excess of
    - a) Current Liabilities over Current Assets
    - b) Current Assets over Current Liabilities
    - c) Fixed Assets over Current Assets
    - d) Capital of a company invested in long term assets.
  - ii) A budget consists of a series of budgets for a different levels of activity is known as
    - a) Fixed budget b) Flexible budget
    - c) Master budget d) Sales budget.

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- iii) Journal is a book of
  - a) Original Entry
- b) Primary Entry
- c) Final Entry
- d) Secondary Entry.
- iv) A sale of furniture to Mr. X for cash should be debited to
  - a) Mr. X

- b) Cash
- c) furniture
- d) sales.
- v) Current ratio measures
  - a) The solvency of the business
  - b) The profitability of the business
  - c) The liquidity of the business
  - d) The efficiency of the business.
- vi) BEP (Sales) can be calculated with the help of the formula
  - a) Contribution / Fixed cost per unit
  - b) Fixed Cost / Contribution per unit
  - c) Fixed Cost / P/ V ratio
  - d) Contribution / Unit Variable cost.
- vii) Goodwill is
  - a) Tangible Current Asset
  - b) Tangible Fixed Asset
  - c) Intangible Fixed Asset
  - d) Not an asset. It is an expense.



#### viii) Accrued Income is

- a) Current Asset
- b) Current Liability
- c) Fixed Asset
- d) Fixed Liability.

#### ix) NPV is

- a) A discounted cash flow method
- b) A time adjusted method
- c) Considered as most effective method for long term decision making in Capital Budgeting
- d) All the above are true.
- x) Which of the following is **not** a debt capital?
  - a) Debenture
  - b) Loan from Financial Institutions
  - c) Preference share capital
  - d) Long term loan.

## xi) Margin of Safety means

- a) BEP Sales (-) Actual Sales
- b) Budgeted Sales (-) BEF Sales
- c) Actual Sales (-) BEP Sales
- d) BEP Sales (-) Total Contribution.

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- xii) The debit balance of P/L account indicates
  - a) Gross Loss
  - b) Net Profit
  - c) Net Loss
  - d) The presence of a suspense account.

#### **GROUP - B**

### (Short Answer Type Questions)

Answer any *three* of the following.

 $3 \times 5 = 15$ 

- 2. Journalise the following transactions for the month of March, 2012 in the books of A & Co.
  - a) Mr. A started business with capital Rs. 1,00,000
  - b) Loan received from SBI Rs. 50,000
  - c) Purchased goods from Mr. B Rs. 10,000
  - d) Paid salary and wages Rs. 5,000
  - e) Paid to Mr. B Rs. 9,000 as final settlement of his dues.
- 3. X. Co. uses quarterly 12,500 units of an item each costing Rs. 1.50, profit @ 25% on selling price and cost for each order Rs. 20, carrying cost @ 3% on profit. Calculate Economic Order Quantity (EOQ).

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- Explain the factors affecting the capital budgeting decisions.
   Explain the objectives of financial management.
- 5. What is financial planning? What are the steps involved in financial planning?
- 6. What is meant by "Accounting Rate of Return" (ARR) method of a capital budgeting?

#### **GROUP - C**

### (Long Answer Type Questions)

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

- 7. a) How does the concept of Economic Order Quantity
  (EOQ) help a manufacturing entity to optimize its
  application of finance.
  - b) Two components *A* and *B* are used as follows :

Normal Usage — 60 Units Per Week each

Minimum Usage — 40 Units Per Week each

Maximum Usage — 80 units per week each

Re-order Quantity -A:500 Units

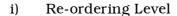
— *B* : 400 Units

Re-Order Period — A: 2 to 4 Weeks

— B: 4 to 6 Weeks.

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## Calculate for Each Component :



- ii) Minimum Level
- iii) Average Stock Level
- iv) Maximum Level.

5 + 10

- 8. a) What is the utility of margin of safety in cost volume profit analysis?
  - b) From the following particulars find out the following.

Sales: Rs. 1,60,000

Fixed Cost: Rs. 48,000

Variable Cost: Rs. 80,000

#### Calculate:

- (i) Contribution, P/V, Ratio, Break-Even Sales, Margin of Safety.
- (ii) Also calculate the effect if
  - a) 10% increase in fixed cost
  - b) 10% decrease in variable cost
  - c) 10% increase in selling price
  - d) 10% decrease in sales along with a 10% decrease in variable cost.

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- 9 a) State the importance of using NPV and IRR Methods for taking long term financial decisions.
  - b) ABC Ltd. Has two options in hand regarding the purchase of one machine. The details in Initial investment of Machine *A* is Rs. 1,00,000 and Machine *B* is Rs. 1,20,000.

Net Cash Flows after Tax year	Machine A ( Rs.)	Machine B ( Rs.)	PVIF @ 15%
1	30,000	24,000	0.870
2	38,000	32,000	0.718
3	40,000	36,000	0.609
4	36,000	52,000	0.516
5	16,000	38,000	0.437

As a Finance Manager which Machine would you Purchase? Assume minimum rate of return laid down by management is 15% p.a.

- 10. a) What do you mean by a "Master Budget"?
  - b) What are the components of master budget?
  - c) State the objectives, functions and uses of budgetary control system in a company involved in the manufacturing of computer hardware components.

4 + 5 + 6

11. Write short notes on any three of the following:

 $3 \times 5$ 

- a) Debt-equity ratio
- b) Provision for bad debts
- c) Debenture
- d) Goodwill
- e) General Reserve.