



Name : .....

Roll No. : .....

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 × 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.



- 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)  $\text{Contribution} / \text{Fixed cost per unit}$
  - b)  $\text{Fixed Cost} / \text{Contribution per unit}$
  - c)  $\text{Fixed Cost} / \text{P/ V ratio}$
  - d)  $\text{Contribution} / \text{Unit Variable cost}$ .
- 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)  $\text{BEP Sales} - \text{Actual Sales}$
- b)  $\text{Budgeted Sales} - \text{BEF Sales}$
- c)  $\text{Actual Sales} - \text{BEP Sales}$
- d)  $\text{BEP Sales} - \text{Total Contribution}$ .



- 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).



4. 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.



Calculate for Each Component :

- i) Re-ordering Level
  - 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 ? 3
- 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. 4
- (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. 8



- 9 a) State the importance of using NPV and IRR Methods for taking long term financial decisions. 5
- 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

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 × 5

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

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