

CS/BBA(H)/Even/6th Sem/BBA-601/2014

2014

Financial Management-III

Time Alloted : 3 Hours

Full Marks : 70

*The figure 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 questions.

10x1=10

i) Liquid Ratios comprises

- a) CA to CL
- b) CA – Stock to CL – Bank O/D
- c) CA to Liquid Liabilities
- d) None of these

ii) Which of the following is known as deferred revenue expenditure?

- a) Outstanding salary.
- b) Prepaid advertisement
- c) Closing stock.
- d) Purchase of goods.

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[Turn over]

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- iii) Which of the following cost is not considered in Make or Buy decision
- a) Fixed Cost.
 - b) Variable Cost
 - c) Semi variable Cost
 - d) None of these
- iv) Price Earning Ratio is calculated by using the formula
- a) MPS/EPS
 - b) EPS/MPS
 - c) $(MPS+EPS)/\text{No of shares}$
 - d) None of these.
- v) The difference between actual cost and standard cost is known as
- a) Variance
 - b) Profit
 - c) Differential Cost
 - d) Deviation
- vi) If Sales= Rs. 180000, Profit= Rs.20000, Variable Cost= 60%, then P/V Ratio will be
- a) 20%
 - b) 30%
 - c) 40%
 - d) 50%
- vii) Standard quantity 1000 kgs at the rate of Rs. 2.40 per kg. Actual quantity 1150 kgs at the rate of Rs. 2.60 per kg. Material price variance will be
- a) 230(F)

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- b) 230(A)
 - c) 250(A)
 - d) 250(F)
- viii) **Selling Price and Variable Cost per unit are Rs.20 and Rs.12 respectively. Total Fixed Cost is Rs.30000. BEP sales in units will be**
- a) 3250
 - b) 3350
 - c) 3500
 - d) 3750
- ix) **Sale of building results into a:**
- a) source of fund.
 - b) application of fund.
 - c) absence of flow
 - d) None of these
- x) **A flexible budget requires careful study and classification of expenses into:**
- a) Past and current expenses
 - b) Fixed, semi-variable and variable expenses
 - c) Administration, selling and factory expenses
 - d) None of these
- xi) **Which of the following is not a source of fund?**
- a) Issue of share capital
 - b) Sale of fixed assets
 - c) Issue of bonus shares
 - d) Issue of shares for consideration other than cash

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GROUP - B
(Short Answer Type Questions)

Answer any three of the following. 3x5=15

2. Prepare a purchase budget for the year ended 31st December, 2013 from the following particulars, when the estimated price per kilogram of material is : X Rs.2 and Y Rs.3.

Materials	Estimated Consumption of Materials (in kg.)
X	100000
Y	200000

Materials	On 1st January, 2013	On 31st December, 2013
X	30000	15000
Y	40000	20000

3. Ascertain (a) Contribution (b) Marginal Contribution (c) Profit per unit (d) Fixed Overhead from the following information:
Cost of Material, Labour & Overhead are Rs. 10, Rs. 6 and Rs. 4 per unit respectively. Output 10,000 units. 40% overhead is variable. Selling prices is Rs. 28 per unit.
4. What is a Key Factor or Limiting Factor? Elucidate with examples.
5. Enumerate any 5 differences between Management Accounting and Financial Accounting.
6. Calculate Stock-Turnover Ratio from the following particulars for the year ended 31/03/13:
- a) Annual Sales Rs. 64,000.
 - b) Sales include a profit of 33.33 % on cost.
 - c) The average stock for the year is Rs. 12,000.

GROUP - C
(Long Answer Type Questions)

Answer any *three* of the following. 3x15=45

7. Fill in the blanks:

Situation	P	Q	R
Selling price p.u	? (a)	Rs.50	Rs.20
Variable cost as a % of selling price	50	? (c)	75
Number of units sold	10000	4000	? (e)
Contribution	Rs.20000	Rs.80000	? (f)
Fixed Cost	Rs.12000	? (d)	Rs.120000
Profit/Loss	? (b)	Rs.20000	Rs.30000

(6x2.5)

8. a) Following are some pertinent details of the trading activities of ABC Ltd.

Stock velocity	8 months
Debtors velocity	3 months
Creditors velocity	2 months
Gross profit ratio	25%

Gross profit for the year is Rs. 4,00,000. Bills receivable Rs. 25,000 and Bills payable Rs. 10,000. Closing stock for the year is Rs. 10,000 more than opening stock. Find out: a) Sales, b) Debtors.

b) What are the significance of Liquidity ratio?

10+5=15)

9. The standard cost of a material is

40% material A at Rs. 20 per kg.

60% material B at Rs. 30 per kg.

A standard loss of 10% is expected in production. During a period there is used:

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90 kgs material A at a cost of Rs.18 per kg.

110 kgs material B at a cost of Rs.34 per kg.

The weight produced is 182 kgs of ideal product.

Calculate:

- a) Material cost variance.
- b) Material price variance.
- c) Material mix variance.
- d) Material yield variance.

10. The Balance Sheets of BB&A Company as on 31st Dec,2012 & 31st Dec,2013 are as follows:

Liabilities	2012 Rs.	2013 Rs.	Assets	2012 Rs.	2013 Rs.
Share Capital	500000	700000	Land & Buildings	80000	120000
Profit & Loss A/C	100000	160000	Plants & Machinery	500000	800000
General Reserve	50000	70000	Stocks	100000	75000
Creditors	153000	190000	Debtors	150000	160000
Bills Payable	40000	50000	Cash	20000	20000
Expenses O/S	7000	5000			
Total	850000	1175000		850000	1175000

Additional information:

- 1) Depreciation has been charged on plant & machinery of Rs.50000.
- 2) Dividend paid during the year of Rs.10000.
- 3) Tax paid during the year of Rs.5000.
- 4) A part of Machine Costing Rs.70000 book value Rs.40000 was disposed off for Rs.25000.

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Prepare the Funds-Flow Statement for the year 2012-2013.

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

- (a) Responsibility Accounting**
- (b) Planning and Performance Budget (PPB)**
- (c) Dynamic Pricing**
- (d) Causes of short-down decisions.**
- (e) Importance of RONW (Return on Net Worth)**