FINANCIAL MANAGEMENT - III (SEMESTER - 6)

CS/BBA(H)/SEM-6/BBA-601/09

1. ....
Signature of Invigilator

2. ....
Signature of the Officer-in-Charge

Reg. No. | | | | | | | | | | | | | | | |

Roll No. of the Candidate | | | | | | | | | | | | | | | |

CS/BBA(H)/SEM-6/BBA-601/09

ENGINEERING & MANAGEMENT EXAMINATIONS, JUNE – 2009

FINANCIAL MANAGEMENT - III (SEMESTER - 6)

Time : 3 Hours] [Full Marks : 70

INSTRUCTIONS TO THE CANDIDATES :

1. This Booklet is a Question-cum-Answer Booklet. The Booklet consists of **32 pages**. The questions of this concerned subject commence from Page No. 3.
2. a) In **Group – A**, Questions are of Multiple Choice type. You have to write the correct choice in the box provided **against each question**.
   b) For **Groups – B** & **C** you have to answer the questions in the space provided marked 'Answer Sheet'. Questions of **Group – B** are Short answer type. Questions of **Group – C** are Long answer type. Write on both sides of the paper.
3. **Fill in your Roll No. in the box** provided as in your Admit Card before answering the questions.
4. Read the instructions given inside carefully before answering.
5. You should not forget to write the corresponding question numbers while answering.
6. Do not write your name or put any special mark in the booklet that may disclose your identity, which will render you liable to disqualification. Any candidate found copying will be subject to Disciplinary Action under the relevant rules.
7. **Use of Mobile Phone and Programmable Calculator is totally prohibited in the examination hall.**
8. You should return the booklet to the invigilator at the end of the examination and should not take any page of this booklet with you outside the examination hall, **which will lead to disqualification**.
9. Rough work, if necessary is to be done in this booklet only and cross it through.

No additional sheets are to be used and no loose paper will be provided

FOR OFFICE USE / EVALUATION ONLY

Marks Obtained

	Group – A										Group – B			Group – C				
Question Number																	***Total Marks***	***Examiner's Signature***
Marks Obtained																		

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Head-Examiner/Co-Ordinator/Scrutineer

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ENGINEERING & MANAGEMENT EXAMINATIONS, JUNE – 2009

FINANCIAL MANAGEMENT - III

SEMESTER - 6

Time : 3 Hours] [Full Marks : 70

GROUP – A

(Multiple Choice Type Questions)

1. Choose the correct alternative for any *ten* of the following : 10 × 1 = 10

i) Which of the following is *not* source of funds ?

a) Issue of share capital

b) Sale of fixed assets

c) Issue of bonus shares

d) Issue of shares for consideration other than cash.

ii) Labour Efficiency Variance is computed by the formula

a) SR (SH – AH) b) AR (SH – AH)

c) SR (AH – SH) d) AR (AH – SH).

iii) Contribution per unit is Rs. 100. Fixed Cost is Rs. 6,00,000. Production and sales is 8,000 units. Total contribution is

a) Rs. 6,00,000 b) Rs. 4,00,000

c) Rs. 8,00,000 d) None of these.

iv) If fixed cost is Rs. 10,000, P/V ratio is 50%, break-even sales will be

a) Rs. 20,000 b) Rs. 40,000

c) Rs. 50,000 d) None of these.

v) If WC = CA – CL, then which of the following is not true ?

a) An increase in CA causes an increase in WC

b) A decrease in CA causes a decrease in WC

c) A decrease in CL causes a decrease in WC

d) A decrease in CL causes an increase in WC.

vi) Which of the following is not related to the head of Current Assets ?

a) Debtors
b) Bills Receivable
c) Furniture
d) Closing stock.

vii) Liquid ratio comprises

a) CA to CL
b) CA – Stock to CL – Bank overdraft
c) CA to Liquid liabilities
d) None of these.

viii) Which of the following is *not* included in assets ?

a) Sundry debtors
b) Sundry creditors
c) Stock in trade
d) Prepaid expenses.

ix) An increase in variable costs

a) reduce the contribution
b) increase the P/V ratio
c) increase in margin of safety
d) none of these.

x) Capital turnover ratio is a/an

a) Debt-equity ratio
b) Liquidity ratio
c) Activity ratio
d) Profitability ratio.

xi) Margin of safety is referred to as

a) excess of sales over fixed expenses
b) excess of actual sales over variable sales
c) excess of actual sales over break-even sales
d) excess of budgeted sales over fixed costs.

xii) The difference between fixed and variable cost has a special significance in the preparation of

a) Flexible budget
b) Master budget
c) Cash budget
d) Nome of these.

xiii) Stock turnover ratio is expressed as

a) Credit sales / Average inventory
b) Cost of goods sold / Average inventory
c) Sales-gross profit / Average inventory
d) Stock/Sales.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. 3 × 5 = 15

2. a) Explain the term Management Accounting.

   b) State the objectives of management accounting.

   c) How does management accounting differ from financial accounting ? 1 + 2 + 2

3. Differentiate between standard costing and budgetory control. 5

4. From the information given below, calculate operating profit ratio : 5

Cost of goods sold	Rs. 4,00,000
Administrative & Offer expenses	Rs. 35,000
Selling & Distributive expenses	Rs. 45,000
Net Sales	Rs. 6,00,000.

5. Explain the significance of turnover ratios. 5

6. What do you mean by Zero Based Budgeting ? How is it different from traditional budgeting process ? 5

GROUP – C

(Long Answer Type Questions)

Answer any *three* questions. 3 × 15 = 45

7. a) Prepare Fund flow statement from the following data : 10

Liability	**Year 1 (Rs.)**	**Year 2 (Rs.)**	**Asset**	**Year 1 (Rs.)**	**Year 2 (Rs.)**
Share capital	4,50,000	4,50,000	Fixed asset	4,00,000	3,20,000
General reserve	3,00,000	3,10,000	Investment	50,000	60,000
P & L A/c	56,000	68,000	Stock	2,40,000	2,10,000
Creditors	1,64,000	1,29,000	Debtors	2,10,000	4,55,000
Provision for Taxation	75,000	10,000	Bank	1,49,000	1,97,000
Provision for bad debts	4,000	5000			
Loan	—	2,70,000			

Additional information :

i) Investments costing Rs. 8,000 were sold during the year for Rs. 8,500.

ii) Provision for tax made during the year Rs. 9,000.

iii) During the year the fixed asset costing Rs. 10,000 was sold for Rs. 12,000 and the profit was included in P & L A/c.

iv) Dividend paid during the year amounted to Rs. 40,000.

b) From the fund flow statement, identify the strengths and weaknesses of the company. 5

8. From the following forecast in income and expenditure, prepare a cash budget for the three months ending 30th November. The bank balance on 1st September is Rs. 3,000. 15

Month	**Sales**	**Purchases**	**Wages**	**Factory Overheads**	**Office Expenses**
July	24,000	12,000	1,680	1,170	3,000
August	22,950	12,600	1,740	1,230	3,600
September	23,400	11,550	1,740	1,260	4,200
October	27,000	11,250	1,770	1,530	4,800
November	28,500	13,200	1,770	1,800	3,900

A sales commission @ 5% on sales which is due in the month of following in which the sales dues are collected, is payable in addition to office expenses. Fixed assets worth Rs. 19,500 will be purchased in September, to be paid in October. Rs. 5,000 in respect of debenture interest will be paid in October. The period of credit allowed to customers is two months and one month's credit is obtained from suppliers of goods. Wages are paid on an average fortnightly on 1st and 16th of each month in respect of dues for periods ending on the date proceeding such days. Expenses are paid in the month in which they are due.

9. Given the following data compute all labour variances : 15

Particulars	**Skilled Worker**	**Semi-Skilled Worker**	**Unskilled Worker**
Number of workers in standard gang	16	6	3
Standard rate per hour (Rs.)	3	2	1
Actual number of workers in the gang	14	9	2
Actual rate per hour (Rs.)	4	3	2

In a 40 hours week the gang as a whole produced 900 standard hours of work.

10. Prepare a cash budget for the three months ending 30th June, 2008 from the information given below : 15

Month	*Sales* (Rs.)	*Materials* (Rs.)	*Wages* (Rs.)	*Overhead* (Rs.)
February	14,000	9,600	3,000	1,700
March	15,000	9,000	3,000	1,900
April	16,000	9,200	3,200	2,000
May	17,000	10,000	3,600	2,200
June	18,000	10,400	4,000	2,300

i) Credit terms are : 10% sales are on cash, 50% of the credit sales are collected next month and balance in the following months.

ii) Creditors : Materials 2 months, Wages $\frac{1}{2}$ month, Overhead 1 month

iii) Cash and bank on 1st April, 2008 is expected to be Rs. 6,000.

iv) Advance to be received for sales of vehicles Rs. 9,000 in June.

11. Write short notes on any *three* of the following : 3 × 5

i) Responsibility Accounting.

ii) Tools and Techniques of Management Accounting.

iii) Break-even Analysis.

iv) Zero Base Budgeting.

12. Part No. X – 293 used in the assembly of a product manufactured by your company has during the past three years has been bought-out item. The current price of this part is Rs. 120. Transportation and other delivery costs account for Rs. 15 per piece. Sales Tax at 10% is added to the invoice price.

Your company had been manufacturing this part earlier but decided subsequently to discontinue its own manufacture. There is sufficient unutilized capacity which can be used, if it is decided to manufacture this part again in its own plant annual requirements of the part are 6000 units.

Prepare a study to enable the management to come to a decision on a proposal to manufacture the part within its own plant. The following estimates are available :

	Part No. X – 293
	Estimated cost per unit
	Rs.
Raw Materials	96
Direct Wages	8
Overheads at 00% of	64
Direct Wages	168
Total Cost	
Make up for return on Investment	12
	180

In addition, special tools, jiggs and fixtures required to manufacture this part are needed to be acquired at a cost of Rs. 1,50,000. These are to be a mortised over 5 years. Assume rate of interest is 16%.

The overhead rate is the budgeted recovery rate for products manufactured by the company. The variable portion of this amounts to 100% of direct wages. 15

END