Name : ....

Roll No. : ....

Invigilator's Signature : ....

CS/BBA(H)/SUPPLE/SEM-6/BBA-601/2010

2010

FINANCIAL MANAGEMENT–III

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) The important tools and techniques of management accounting are

a) Ratio Analysis b) Budgeting

c) Fund flow Analysis d) All of these.

ii) Accounting ratio is the .... expression.

a) Statistical b) Mathermatical

c) Financial d) none of these.

iii) Liquid ratio comprises

a) CA to CL

b) CA – Stock to CL – Bank overdraft

c) CA to Liquid Liabilities

d) none of these.

iv) The budget that is prepared first of all is

a) Flexible budget

b) Master budget

c) Cash budget

d) Budget for the key factor.

v) The relationship between current assets and cash under cash flow statement is

a) inverse   b) direct

c) equal   d) none of these.

vi) The ideal current ratio is

a) 1 : 1 b)   2 : 1

c) 1 : 2 d)   none of these.

vii) Which of the following is not an example of outflow of cash ?

a) Depreciation

b) Purchase of furniture

c) Repayment of loan

d) Payment of tax.

viii) Total Sales – BEP sales =

a) Contribution b) Profit

c) Loss d) Margin of safety.

ix) Share Capital + Reserve & Surplus — Miscellaneous Expenditure =

a) Gross worth b) Gross assets

c) Net worth d) All assets.

x) Which of the following is not an example of Miscellaneous Expenditure ?

a) Preliminary Expenditure

b) Discount on issue of shares

c) Securities premium

d) None of these.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. $3 \times 5 = 15$

2. How does management accounting differ from financial accounting ?

3. What are the key factors to be taken into consideration while preparing budget ?

4. What information does profit volume graph express ?

5. What do you mean by standard costing ? How does it differ from budgetary control ?

6. Explain the meaning of the term 'fund' used in flow statement.

7. 80 kg of material *X* at a standard price of Rs. 2 per kg and 40 kg of material *Y* at a standard price of Rs. 5 per kg were to be used to manufacture 100 kg of chemical. During a month 70 kg of material *X* priced at Rs. 2.10 per kg and 50 kg of material *Y* at Rs. 4.5 per kg were actually used and the output of chemical was 102 kg. Find out materials variances.

GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following. 3 × 15 = 45

8. What is management accounting ? Explain the purposes and objectives of management accounting. Discuss the changing role of a management accountant in a modern large business house. 3 + 4 + 4 + 4

9. From the following particulars prepare a monthly Cash Budget for the quarter ended 31st March, 2009 :

Month	***Sales* *(Rs.)***	***Purchase* *(Rs.)***	***Wages* *(Rs.)***	***Expenses* *(Rs.)***
November	50,000	10,000	20,000	4,000
December	60,000	20,000	20,000	4,000
January	40,000	30,000	22,000	5,000
February	50,000	20,000	22,000	5,000
March	60,000	10,000	24,000	5,000

Other information :

a) 10% of sales and purchases are on cash balance on credit.

b) Credit to Debtors : 1 month, on an average 50% of debtors will make payment on the due date while the rest will make payment one month thereafter.

c) Credit from Creditors : 2 months, 10% cash discount will be received if payment is made within 1 month and it is estimated that for 50% of purchases advantage of cash discount will be taken.

d) Wages : To be paid twice in a month on the 1st and 16th respectively.

e) Expenses are generally paid within the month.

f) Plant costing Rs. 10,000 will be installed in February on payment of 25% of the cost in addition to the installation cost of Rs. 500 and balance to be paid in three equal monthly instalments from the following month.

g) Opening cash balance Rs. 20,000.

10. Miracle Company furnishes the following information :

Year	2007	2008
	Rs.	Rs.
Sales (Rs. 10 per unit)	2,00,000	2,50,000
Profit	30,000	50,000

Assuming that the cost structure and selling prices remain the same in both the years, you are required to compute the following :

a) P/V ratio

b) BEP sales

c) Total variable cost for 2007 and 2008

d) Sales to earn a profit of Rs. 60,000

e) Profit/Loss when sales are Rs. 1,00,000

f) Margin of safety when profits are Rs. 80,000

During 2009, due to increase in cost, variable cost is expected to rise to Rs. 7 per unit and fixed cost to Rs. 55,000. If selling price cannot be increased, what will be the amount of sales to maintain the profit to 2008 ?

2 + 2 + 4 + 2 + 2 + 3

11. a) Discuss the limitations of accounting ratio in interpreting financial statements.

b) From the following particulars prepare a summarized balance sheet as on 31st December, 2009 :

Fixed Assets to Net worth	0·8 : 1
Current ratio	3 : 1
Reserve included in Net worth	25%
Acid test ratio	3 : 2
Fixed assets	Rs. 8,00,000
Current liabilities	Rs. 1,50,000.

5 + 10

12. Prepare a Fund Flow Statement of News Time Ltd. from the following :

Liabilities	***31.12.08***	***31.12.09***	***Assets***	***31.12.08***	***31.12.09***
Share Capital	8,00,000	10,00,000	Machinery	5,00,000	7,00,000
Reserve	1,50,000	2,00,000	Building	4,00,000	6,00,000
Profit and Loss A/c	60,000	1,00,000	Investment	—	1,00,000
Debenture	—	2,00,000	Debtors	7,00,000	5,00,000
Tax Provision	70,000	1,00,000	Stock	2,00,000	4,00,000
Proposed Dividend	1,00,000	2,00,000	Cash at	2,00,000	2,00,000
Creditors	8,20,000	7,00,000			
	20,00,000	**25,00,000**		**20,00,000**	**25,00,000**

Other Information :

i) Depreciation was charged @25% on the opening value of machinery.

ii) Income tax paid during the year Rs. 50,000.

iii) An old machine costing Rs. 50,000 was sold for Rs. 35,000 (W.D.V – Rs. 20,000).

iv) Building is still under construction and no depreciation was charged.

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

a) Responsibility Accounting

b) Tools and techniques of management accounting

c) Break-even analysis

d) Shutdown decisions

e) Zero Base Budgeting.