



Name : .....

Roll No. : .....

Invigilator's Signature : .....

**CS/BBA (H)/SEM-6/BBA-601/2013  
2013**

**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 any *ten* of the following :

10 × 1 = 10

- i) Decrease in Working Capital is a
- a) source of fund                      b) application of fund
- c) source of cash                      d) none of these.
- ii) The business accounting system consists of
- a) Financial accounting
- b) Management decision-making
- c) Transaction analysis
- d) Tax deduction.



- iii) Quick Liability represents
- a) Current Liability Stock
  - b) Current Liability Bank Overdraft
  - c) Liquid Liability Bank Overdraft
  - d) Pledged equity.
- iv) If S, A, R and H stand for standard, actual, rate and hours, Labour Efficiency Variance is computed by the formula.
- a)  $SR ( SH - AH )$
  - b)  $AR ( SH - AH )$
  - c)  $SR ( AH - SH )$
  - d)  $AR ( AH - SH )$ .
- v) Which of the following is not included in assets ?
- a) Sundry debtors
  - b) Sundry creditors
  - c) Stock in trade
  - d) Prepaid expenses.
- vi) Margin of safety is referred to as
- a) excess 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 cost.



- vii) Which of the following is fictitious asset ?
- a) Land and Building
  - b) Patent
  - c) Discount on issue of shares
  - d) None of these.
- viii) Payment of Tax is
- a) an application of funds
  - b) source of funds
  - c) both (a) and (b)
  - d) none of these.
- ix) Which one of the following is the non-current liability ?
- a) Issue of 10% debentures
  - b) Bank overdraft
  - c) Outstanding wages
  - d) None of these.
- x) Break-even point arises, when
- a) contribution is equal with fixed cost
  - b) there is no profit, no loss
  - c) total sale revenue is equal with total fixed cost
  - d) all of these.



- xi) What would be the value of gross profit, if sales amount to Rs. 8,00,000 and mark-up rate is 25% of cost ?
- a) Rs. 2,00,000                      b) Rs. 1,60,000  
c) Rs. 6,40,000                      d) Rs. 4,80,000.
- xii) A company sells a single product for Rs. 28 per unit. If variable costs are 65% of sales and fixed costs total Rs. 9,800, the break-even point will be
- a) 15,077 units                      b) 18,200 units  
c) 539 units                          d) 1,000 units.

**GROUP - B**

**( Short Answer Type Questions )**

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

2. Differentiate between standard costing and budgetary control.
3. What do you mean by zero base budgeting ? How is it different from traditional process ?
4. Explain the significance of current ratio.
5. From the following particulars of a garment producer, calculate material cost variance :  
  
50 shirts were produced out of 80 metres of cloth costing Rs. 15,200. Standard requirement of production of a shirt is 3.6 metre of cloth at a standard rate of Rs. 320 per metre.
6. State the advantages of financial statement analysis.

**GROUP - C****( Long Answer Type Questions )**

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

7. A company expects to have Rs. 20,000 in bank on 1st May, 2013 and requires you to prepare an estimate of cash position during the three months May, June and July, 2013.

The following information is provided by the management :

Month	Sales (Rs.)	Purchase (Rs.)	Wages (Rs.)	Office Expenses (Rs.)	Factory Expenses (Rs.)	Selling Expenses (Rs.)
March	40,000	24,000	4,800	3,200	4,000	2,400
April	44,800	25,600	5,200	3,200	4,400	2,400
May	48,000	28,000	5,600	3,200	4,800	2,800
June	64,000	32,000	7,200	3,200	6,000	3,600
July	72,000	32,000	7,600	3,200	6,400	3,600

In addition, the company also discloses some policy related information which may be required for preparing the estimate of cash position :

*Other information :*

- i) 20% of sales are in cash, remaining amount is collected in the month following that of sales.
- ii) Suppliers supply goods at two months credit.
- iii) Wages and all other expenses are paid on the month following the one in which they are incurred.
- iv) The company pays dividends to shareholders, and bonus to workers of Rs. 8,000 and Rs. 12,000 respectively in the month of May.



v) Plant has been ordered and is expected to be received in June. It will cost Rs. 64,000 and will be paid in June.

vi) Income Tax Rs. 20,000 is payable in July.

8. The Balance Sheets of XYZ Ltd. as on 31.03.12 and 31.03.13 are given below :

Liabilities	31.03.12 Rs.	31.03.13 Rs.	Assets	31.03.12 Rs.	31.03.13 Rs.
Equity Share Capital	5,00,000	6,50,000	Fixed Assets	10,00,000	12,00,000
Preference Share Capital (redeemable)	1,00,000	50,000	Less : Accumulaed Depreciation	<u>2,00,000</u>	<u>2,50,000</u>
General Reserve	2,00,000	2,50,000	Net Block	8,00,000	9,50,000
Profit on Sale of Investment	—	10,000	Investment at Cost	1,80,000	1,80,000
Profit & Loss Account	1,00,000	2,00,000	Stock	2,00,000	2,50,000
8% Debentures	3,00,000	2,00,000	Debtors	2,25,000	2,65,000
Creditors for Expenses	10,000	12,000	Bills Receivable	38,000	62,000
Creditors for Goods	1,60,000	2,50,000	Prepaid Expenses	2,000	5,000
Proposed Dividend	30,000	35,000	Cash	10,000	10,000
Provision for Taxation	70,000	75,000	Miscellaneous Expenditure	15,000	10,000
	<u>14,70,000</u>	<u>17,32,000</u>		<u>14,70,000</u>	<u>17,32,000</u>

*Other information :*

- i) During 2012-13 fixed assets ( present book value Rs. 10,000, depreciation written off Rs. 30,000 ) were sold for Rs. 8,000.
- ii) The dividend proposed in last year was paid in 2012-13.
- iii) During 2012-13 investments costing Rs. 80,000 were sold and investments of the same cost were purchased.



- iv) Preference shares were redeemed at 5% premium by issuing new equity shares and debentures were redeemed at 10% premium.
- v) Taxation liability for 2011-12 was settled at Rs. 55,000.

On the basis of the above information, prepare a Fund Flow Statement of XYZ Ltd. for the year ended 31st March, 2013 and interpret the statement.

9. a) What is the significance of 'responsibility centre' ?
- b) The Management of the Company is worried about the performance of Department X and wants to close down the Department. The following data are supplied :

<i>Particulars</i>	<i>Departments</i>		
	<i>X</i> <i>Rs.</i>	<i>Y</i> <i>Rs.</i>	<i>Z</i> <i>Rs.</i>
Sales	4,00,000	6,00,000	10,00,000
Variable costs	3,60,000	4,80,000	6,00,000
Fixed cost ( apportioned on the basis of sales )	60,000	90,000	1,50,000
Profit / ( Loss )	( 20,000 )	30,000	2,50,000

- i) The specific fixed costs for Departments X, Y and Z are respectively, Rs. 20,000, Rs. 1,30,000 and Rs. 1,00,000 and balance Rs. 50,000 represent common fixed costs.
- ii) You are required to advise the Management in respect of closure of the department. Give your analysis and arguments in support of your advice.

8 + 7



10. a) What do you mean by Financial Statement ? What is a Common Size Statement ?
- b) What are the advantages of ratio analysis ?
- c) From the following information, prepare a summarized Balance Sheet as on 31st March, 2013 :

Gross Profit Margin	20%
Capital Turn Over Ratio	2 times
Stock Velocity	6 months
Creditor's payment period	73 days
Debt collection period	2 months
Fixed assets turn-over ratio	4 times
Gross Profit	Rs. 60,000

Closing stock was Rs. 5,000 in excess of opening stock. All working should form part of answer.

6 + 3 + 6

11. Write short notes on any *three* of the following : 3 × 5
- Application of liquidity ratios
  - Make or Buy analysis
  - Performance budgeting
  - Flexible budgeting
  - Application of Standard Costing in Business decisions.

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