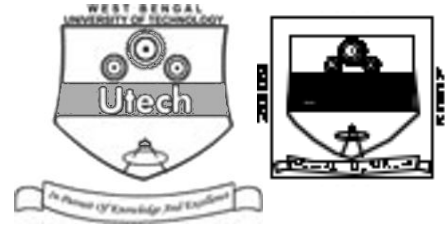


**CS/BBA(H) (SUPPLE)/SEM-6/BBA-601/09
FINANCIAL MANAGEMENT - III (SEMESTER - 6)**



1.
Signature of Invigilator

2.
Signature of the Officer-in-Charge

Reg. No.

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Roll No. of the Candidate

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**CS/BBA(H) (SUPPLE)/SEM-6/BBA-601/09
ENGINEERING & MANAGEMENT EXAMINATIONS, AUGUST – 2009
FINANCIAL MANAGEMENT - III (SEMESTER - 6)**

Time : 3 Hours]

[Full Marks : 70

INSTRUCTIONS TO THE CANDIDATES :

- 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.
- In **Group – A**, Questions are of Multiple Choice type. You have to write the correct choice in the box provided **against each question**.
 - 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.
- Fill in your Roll No. in the box** provided as in your Admit Card before answering the questions.
- Read the instructions given inside carefully before answering.
- You should not forget to write the corresponding question numbers while answering.
- 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.
- Use of Mobile Phone and Programmable Calculator is totally prohibited in the examination hall.**
- 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**.
- 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

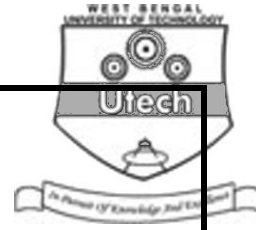
FOR OFFICE USE / EVALUATION ONLY

Marks Obtained

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

.....
Head-Examiner/Co-Ordinator/Scrutineer

S-54026 (19/08)



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CS/BBA(H) (SUPPLE)/SEM-6/BBA-601/09
FINANCIAL MANAGEMENT - III
SEMESTER - 6



Time : 3 Hours]

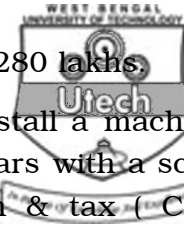
[Full Marks : 70

GROUP – A**(Multiple Choice Type Questions)**

1. Choose the correct alternatives for any *ten* of the following : 10 × 1 = 10
- i) Contribution means
- a) Sales – Variable cost
- b) Sales – Total cost
- c) Fixed cost + Variable cost
- d) Sales – Cost of Goods Sold (COGS).
- ii) P/V ratio can be improved
- a) by increasing the fixed cost b) by reducing the variable cost
- c) By reducing the selling price d) None of these.
- iii) Break-even point shows
- a) maximum profit zone b) maximum loss zone
- c) no profit no loss zone d) optimum profit zone.
- iv) Fund Flow Statement portrays
- a) change in working capital
- b) all assets and liabilities
- c) financial position on a particular date
- d) funds accrued on a particular date.



- v) Working capital represents
- a) Current Assets over Current Liabilities
 - b) Current Assets equal to Current Liabilities
 - c) Current Liabilities over to Current Assets
 - d) Liquid Assets over Inventories.
- vi) Margin of safety is the
- a) difference between actual sales and sales at break-even
 - b) difference between actual sales and budgeted sales
 - c) difference between budgeted sales and sales and sales at break-even
 - d) insurance to cover losses due to faulty manufacturing.
- vii) The procedure of dividing the outstanding debtors on the basis of duration during which they are outstanding is known as
- a) Bad Debts
 - b) Provision for Doubtful Debts
 - c) Ageing of Debtors
 - d) Debtors Turnover.
- viii) ROCE (Return on Capital Employed)
- a) Liquidity
 - b) Profitability
 - c) Solvency
 - d) Efficiency.
- ix) A flexible budget requires careful study and classification of expenses into
- a) Past and current expenses
 - b) Fixed, semi-variable & variable expenses
 - c) Administration, selling & factory expenses
 - d) None of these.
- x) Acid Test ratio is
- a) Current assets : Current liabilities
 - b) Quick assets : Quick liabilities
 - c) Total assets : Total liabilities



- c) Sales required to earn a profit of Rs. 90 lakhs.
- d) Profit or loss that would arise if the sales were Rs. 280 lakhs.
9. A company is considering an investment proposal to install a machine at a cost of Rs. 2,20,000. The project has a life expectancy of five years with a scrap value of Rs. 20,000. The projected cash flows before depreciation & tax (CFBT) from the investment proposal are as follows :

Year	CFBT (Rs.)
1	1,00,000
2	1,00,000
3	1,20,000
4	80,000
5	80,000

Assuming the firm uses straight line depreciation & the applicable tax rate is 40%. Compute the following & evaluate the proposal :

- a) Pay back period
- b) Average rate of return
- c) Internal rate of return
- d) Net present value @ 10% discount rate. 15
10. a) A company's credit sales amount to Rs. 60,00,000 with the variable cost to sales ratio of 60% & fixed cost of Rs. 12,00,000. Its present credit policy is 60 days or 2 months. It proposes to introduce a cash discount scheme of 2/10 net 60 i.e. 2% discount will be allowed if payment is received before the 10th day after the date of invoice. Payment is ordinarily due by the 60th day. It is also established that 50% of the debtors will take advantage of the discount scheme. As a result, the average age of debtors would be reduced to 1 month. The required rate of return on investment in debtors may be taken 20%. Evaluate the proposal.
- b) Z Ltd. estimated its total cash requirements as Rs. 4 crore next year. The opportunity cost is 20% p.a. The company will have to pay Rs. 200 per transaction when it converts its short-term securities to cash. Determine the optimum cash balance. How much is the total annual cost of the demand for optimum cash balance ? How many deposits will have to make during the year ?



- c) Annual needs of material of a company is Rs. 50,000, carrying cost is 20% of average inventory value, ordering cost per order is Rs. 100. Find EOQ, Number of orders carrying cost, ordering cost & total cost. 15
11. a) "Depreciation is a source of fund" — Write for or against the statement with your logic. 15
- b) State the importance of cash flow statement in financial decision making process. 15
12. Write short notes on any *three* of the following : 3 × 5 = 15
- Responsibility Accounting
 - Overhead variance
 - EOQ of service industry
 - Performance budgeting
 - Letter of credit
 - Return on Net worth (RONW).
13. a) Distinguish between absorption and marginal costing.
- b) From the following particulars, find the most profitable product-mix and prepare a statement of profitability of the product mix :

	<i>Product A</i>	<i>Product B</i>	<i>Product C</i>
Units budgeted to be produced and sold	1,800	3,000	1,200
Selling Price per unit	Rs. 60	Rs. 55	Rs. 50
<i>Requirements per unit :</i>			
Direct Material	5 kg	3 kg	4 kg
Direct Labour	4 hrs	3 hrs	2 hrs
Variable Overheads	Rs. 7	Rs. 13	Rs. 8
Fixed Overheads	Rs. 10	Rs. 10	Rs. 10
Cost of Direct Materials per kg.	Rs. 4	Rs. 4	Rs. 4
Direct Labour Hour Rate	Rs. 2	Rs. 2	Rs. 2
Maximum possible units of Sales	4,000	5,000	1,500

All the three products are produced from the same type of machines and labour. Direct Labour, which is the key factor is limited to 18,6000 hours. 5 + 10

END