



Name :

Roll No. :

Invigilator's Signature :

CS/BBA (H)/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.

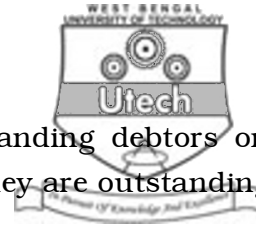
GROUP – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following :

10 × 1 = 10

- i) The business accounting system consists of
 - a) Financial accounting
 - b) Management decision making
 - c) Transaction analysis
 - d) Tax deduction.
- ii) Cash flow statement is prepared as per
 - a) AS – 1
 - b) AS – 2
 - c) AS – 3
 - d) AS – 4.
- iii) Quick assets refer to
 - a) CA – bank – cash
 - b) CA – stock – prepaid expenses
 - c) CA – inventories – cash
 - d) CA – investment – miscellaneous expenses.



- iv) 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.
- v) A high debt equity ratio indicates
- a) high equity in relation to debt
 - b) high short term debt in relation to long term debt
 - c) high risk
 - d) none of these.
- vi) Financial statements depict the
- a) profit earned by the organization during a year
 - b) financial position of assets and liabilities on a particular time
 - c) the flow of cash and fund during a year
 - d) all of these.
- vii) Current ratio denotes
- a) the ratio of current assets and non-current assets
 - b) the ratio of current assets and current liabilities
 - c) the ratio of short term debts and long term debts
 - d) the ratio of owner's equity and non-current liabilities.



- viii) Breakeven point is the sales at which
- total sales equal to total purchase in units
 - total sales in rupee value equal to total expenses
 - total profit equal to total administrative expenses
 - total sales equal to total cost.
- ix) Goodwill account is a
- current asset
 - fixed asset
 - fictitious asset
 - none of these.
- x) Labour rate variance is computed by formula
- $(SR - AR) AH$
 - $(AH - SH) SR$
 - $(AR - SR) SH$
 - $(SH - AH) AR$.
- xi) Working capital is
- $\Sigma CA - \Sigma CL$
 - $\Sigma CA + \Sigma CL$
 - $\Sigma CA - \Sigma CL + \Sigma |C|A$
 - $\Sigma CL - \Sigma CA$.
- xii) Which of the following changes does/do not appear in a fund flow statement ?
- Issue of equity shares
 - Conversion of all FCD into equity shares
 - Bonus issue of equity shares
 - Both (b) and (c).



GROUP – B

(Short Answer Type Questions)

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

2. Distinguish between absorption costing and marginal costing.
3. Compare and contrast between budgetary control and standard costing.
4. State the advantages of financial statement analysis.
5. Write a short note on zero base budgeting.
6. From the following particulars of a garment producer, calculate material cost variance : 25 shirts were produced out of 40 metre of cloth costing Rs. 7,600. Standard requirement for production of shirt is 1.8 metre of cloth at a standard rate of Rs. 160 per metre.
7. The balance sheet of Caravan Ltd. as on 31st March, 2010, shows the following :

Cash Rs. 9,500, marketable securities Rs. 15,000, inventories Rs. 1,00,000, debtors Rs. 83,000, prepaid expenses Rs. 5,000, long term loan Rs. 1,06,000, trade creditors Rs. 64,000, income tax payable Rs. 9,000, accrued income Rs. 2,000, accrued expenses Rs. 12,800

You are asked to compute :

- a) Current ratio
- b) Quick ratio
- c) Super quick ratio.



GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following.

3 × 15 = 45

8. Comment on the following :

a) Hero Honda's current ratio was 0.64 : 1 in the last year.

The company made huge profit.

b) Infosys has become a debt free company. The

debt-equity ratio is zero.

c) Woolworth Ltd, the world famous woollen garment

manufacturer had a current ratio of 13 : 1 in the last

summer. It had very high inventory of finished goods in

its current asset structure.

d) ITC's liquid ratio is 2.5 : 1.

e) Tata Steels inventory turnover ratio indicates average

inventory period on 31 days, whereas for SAIL the same

in 54 days.

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



9. From the following balance sheet supplied by Subhom Ltd. for the years ended 31.12.2008 and 31.12.2009, prepare a fund flow statement showing the changes of working capital.

	2008 (Rs.)	2009 (Rs.)		2008 (Rs.)	2009 (Rs.)
Equity share capital	4,00,000	5,00,000			
8% Redeemable preference			Fixed assets (Net)	5,00,000	6,00,000
Shares	1,00,000	—	Investment	1,30,000	70,000
Capital Reserve	—	20,000	Current Assets	3,00,000	4,20,000
Share Premium	50,000	60,000	Preliminary Expenses	20,000	10,000
General Reserve	1,00,000	1,50,000			
Profit & Loss Account	2,00,000	2,40,000			
Creditors	1,00,000	1,30,000			
	9,50,000	11,00,000		9,50,000	11,00,000

Additional information :

- i) Investment was sold at a profit of Rs. 20,000, the profit being transferred to capital reserve.
- ii) On 31-12-2008, accumulated depreciation on fixed assets amounted to Rs. 50,000 and 31-12-2009 Rs. 60,000.
- iii) A fixed asset costing Rs. 1,00,000 (written down value Rs. 60,000) was sold for Rs. 20,000, the loss being transferred to profit & loss account.
- iv) Equity shares were issued at a premium of 10%.



10. From the following information supplied by ABC Co. Ltd; prepare cash budget for the period from 1st September, 2009 to 31st December, 2009.

Months	Credit Purchase (Rs.)	Credit Sales (Rs.)	Wages (Rs.)	Selling Expenses (Rs.)	Overheads (Rs.)
July	85,000	1,60,000	32,000	8,000	10,000
August	92,000	1,85,000	37,000	9,500	11,500
September	1,00,000	2,10,000	42,000	10,500	13,000
October	1,20,000	2,45,000	49,000	12,500	14,500
November	90,000	1,78,000	35,500	8,900	10,500
December	98,000	1,82,000	36,000	9,000	11,000

The following are the additional information given :

- i) Expected cash balance on 1st September is Rs. 10,500.
- ii) Period of credit allowed to debtors is 2 months.
- iii) Period of credit allowed by creditors is 1 month.
- iv) Lag in payment of wages, selling expenses and overheads is 1 month.
- v) Selling commission @2% on sales is payable one month after sales.
- vi) Expenditure on Machinery worth Rs. 50,000 is payable in October.
- vii) Expected cash sales per month are Rs. 15,000. No commission is payable on cash sales.

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



11. a) What do you mean by volume variance and mix variance ?

b) The standard cost card for one unit of a product shows the following costs for material and labour :

Material 4 pieces @ Rs. 5

Labour 10 hours @ Rs. 1.5

5700 units of the product were manufactured during the month of March, 2009 with the following material and labour cost :

Material 23,000 pieces @ Rs. 4.95

Labour 56,800 hours @ Rs. 1.52

Calculate appropriate material and labour variances.

c) In a service-industry organization how is the ratio analysis used for decision making ?

12. Write short notes on any *three* :

- a) Zero based budgeting.
- b) Two-way analysis.
- c) Consolidated balance sheet.
- d) Cash flow statement.
- e) Performance budget.
- f) Responsibility accounting.
