



Name :

Roll No. :

Invigilator's Signature :

CS/BTTM/SEM-4/TTM-405/2012

2012

FINANCIAL MANAGEMENT

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) Which of the following is not an objective of financial management ?
- a) Value maximization
 - b) Profit maximization
 - c) Ensure adequate liquidity
 - d) avoiding anti-pollution norms.



- ii) Routine matters of finance are looked after by
- a) Treasurer
 - b) Controller of finance
 - c) Accountant
 - d) Finance executive.
- iii) Debentures are
- a) long-term sources
 - b) short-term sources
 - c) mid-term sources
 - d) preferential sources.
- iv) The rate at which the present value of cash inflow and outflow is equal is called
- a) NPV
 - b) IRR
 - c) PI
 - d) BEP.
- v) In Kolkata, one has to pay Rs. 22 for living a taxi for the first two kilometers. Then one has to pay Rs. 10 per kilometer. This kind of cost is called
- a) fixed cost
 - b) variable cost
 - c) semi-variable cost
 - d) mixed cost.



- vi) Which of the following costs are historical cost and non relevant for any particular decision making purpose ?
- a) Process Costs b) Imputed costs
c) Variable costs d) Sunk costs.
- vii) Which of the following formulates budget without making any reference to previous plans and achievements ?
- a) Cash Budget b) Zero-Based Budget
c) Flexible Budget d) Sales Budget.
- viii) Fixed cost include which of the following expenses that remain fixed irrespective of the level of output.
- a) Rent and Rates of Building
b) Power
c) Consumable stores
d) Fuel expenses.
- ix) Which of the following refers to the kind of securities and the proportionate amounts that make up capitalization ?
- a) Capital structure b) Capital expenditure
c) Capital budgeting d) Working capital.



- x) Which of the following method is known as “trial and error yield method” ?
- a) Net Present Value Method
 - b) Internal Rate of Return Method
 - c) Profitability Index Method
 - d) Rate of Return Method.
- xi) Which one of the following is not an objective of working capital ?
- a) To pay wages
 - b) To raise funds
 - c) To incur day to day expenses
 - d) To provide credit to customers.
- xii) Which instrument of the following does not pay interest?
- a) Bond
 - b) Fixed Deposit
 - c) Term loan
 - d) Preference show.



GROUP - B

(Short Answer Type Questions)

Answer any *three* of the following.

3 × 5 = 15

2. Differentiate between equity share capital and preference share capital.
3. State the advantages and disadvantages of NPV method of capital budgeting.
4. State the importance of inventory control in an organization.
5. Write a brief note on 'zero based budgeting'.
6. Explain the concept "optimum capital structure" of a company.

GROUP - C

(Long Answer Type Questions)

Answer any *three* of the following.

3 × 15 = 45

7. a) What do you mean by cost of capital ? 5
- b) Calculate average cost of capital from the following data : 10

<i>Type of Capital</i>	<i>Proportion in Capital Structure</i>	<i>Cost of Capital</i>
Equity Capital	25%	24.44%
Preference Capital	10%	27.29%
Debt Capital	50%	7.99%
Retained Earnings	15%	18.33%



8. A factory is currently working at 50% capacity and produces 20,000 units. Prepare the flexible budget of the company for 60% and 80% capacity. At 60% capacity raw materials cost increases by 2% and selling price falls by 2% whereas, at 80% capacity raw material cost increases by 5% and selling price falls by 5%. At 50% capacity the product cost is Rs. 180 per unit and sold at Rs. 200 per unit.

The item-wise break up of unit is as follows :

Raw material	Rs. 100
Wages	Rs. 30
Factory Overhead	Rs. 24 (50% fixed)
Administrative Overhead	Rs. 20 (50% fixed).

9. What are the challenges in managing working capital of
- a) a resort in the Sunderbans ?
 - b) a travel agent ?
 - c) a museum ? 3 × 5
10. From the following information calculate the net present value of the two projects and suggest which of the two projects should be accepted assuming a discount rate of 10% :



	<i>Project X</i>	<i>Project Y</i>
Initial Investment	Rs. 20,000	Rs. 30,000
Estimated Life	5 years	5 years
Scrap Value	Rs. 1,000	Rs. 2,000

The profits before depreciation and after taxes are as follows :

	Year 1	Year 2	Year 3	Year 4	Year 5
Project X (Rs.)	5,000	10,000	10,000	3,000	2,000
Project Y (Rs.)	20,000	10,000	5,000	3,000	2,000

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

- a) Role of financial information system in travel and tourism organization
- b) Term loan
- c) Inventory control
- d) Foreign exchange fluctuation
- e) Zero-Coupon bonds.
