



Name : .....  
Roll No. : .....  
Invigilator's Signature : .....

**CS/HM-(SEPARATE SUPPLE)/SEM-5TH/BHM-504/2011**

**2011**

**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 of any *ten* for the following :  
 $10 \times 1 = 10$ 
  - i) The goal of Financial Management is :
    - a) Profit Maximisation
    - b) Wealth Maximisation
    - c) Both of these.
  - ii) What is Current Ratio ?
    - a) CA/CL
    - b) CA-Stock/CL
    - c) None of these
  - iii) As per Fund Flow Statement, payment of taxes & payment of dividends are
    - a) Sources of funds
    - b) Applications of fund.



- iv) Cost of goods sold refers to
- Opening stock plus purchases minus closing stock
  - Sales minus gross profit
  - Both of these.
- v) Which of the following is not related to the head of Current Asset ?
- Debtors
  - Bills Receivable
  - Furniture.
- vi) Which of the following comes under Current Liabilities ?
- Long Term Loan
  - Equity Share Capital
  - Sundry Creditors.
- vii) Earnings per share ratio falls under
- Profitability Ratio
  - Liquid Ratio
  - Turnover Ratio.
- viii) The Liquid Ratio is sometimes called
- Quick Ratio
  - Acid Test Ratio
  - All of these.
- ix) Standard Current Ratio is considered as
- 2 : 1
  - 1 : 1
  - 2·5:1



- x) Margin of safety is calculated as :
- a) Total sales less breakeven sales
  - b) Profit / p / v ratio
  - c) Both of these.
- xi) Which of the following is not a source of long term finance ?
- a) Share
  - b) Debenture
  - c) Trade Credit
  - d) None of these.

**GROUP - B**

**( Short Answer Type Questions )**

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

2. What is the difference between Fund Flow Statement & Cash Flow Statement ?
3. Write the formulas of the following : (any three)
  - i) Liquid Ratio
  - ii) Debt Equity Ratio
  - iii) Gross Profit Margin
  - iv) Net Profit Margin
4. Calculate the Currents Asset & Current Liabilities from the following information :
  - a) Current Ratio = 2.5
  - b) Working Capital = Rs. 90000



5. Discuss the limitations of accounting ratio in interpreting financial statements.
6. Why financial management is important for a hospital ?

### GROUP – C

#### ( Long Answer Type Questions )

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

7. The summarized Balance Sheets of AMRI Hospital as at 2005 & 2006 are given below :

Liabilities	2005 (Rs.)	2006 (Rs.)	Assets	2005 (Rs.)	2006 (Rs.)
Share Capital	4,50,000	4,50,000	Fixed asset	4,00,000	3,20,000
Profit/Loss A/c	3,56,000	3,78,000	Investment	50,000	60,000
Creditors	1,68,000	1,34,000	Stock	2,40,000	2,10,000
Provision for Taxation	75,000	10,000	Debtors	2,10,000	4,55,000
Mortgage Loan	Nil	2,70,000	Bank	1,49,000	1,97,000
	<b>10,49,000</b>	<b>12,42,000</b>		<b>10,49,000</b>	<b>12,42,000</b>

Additional Information :

- a) Investment Costing Rs. 8000 were sold during the year 2006 for Rs. 8500
- b) Provision for tax made during the year was Rs. 9000
- c) During the year a part of Fixed Assets costing Rs. 10,000 was sold at the same price.

You are required to prepare :

- i) Changes in Working Capital
- ii) Fund Flow statement



8. a) What is Accounting Ratio ? What are its advantages & disadvantages.
- b) From the following Balance Sheet of X Limited find the following ratios :
- i) Current Ratio      ii) Liquid Ratio
- iii) Proprietary Ratio    iv) Debt Equity Ratio
- v) Capital Gearing Ratio

Balance Sheet on 31.12.2009			
Liabilities	Rs.	Assets	Rs.
Equity Share Capital	2,00,000	Plant & Machinery	2,00,000
6% Preference Share Capital	1,00,000	Land & Building	2,00,000
8% Debenture	1,00,000	Stock	1,50,000
Reserves & Surplus	1,00,000	Debtors	50,000
Long Term Loan	50,000	Cash at Bank	1,00,000
Creditors	1,00,000		
Bank Overdraft	50,000		
	<b>7,00,000</b>		<b>7,00,000</b>



9. From the following information prepare a Cash Flow Statement for the year ended 31.3.2009

Liabilities	2008	2009	Assets	2008	2009
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
Share Capital	2,00,000	2,50,000	Land & Building	2,00,000	1,90,000
General Reserve	50,000	60,000	Plant & Machinery	1,50,000	1,69,000
Profit & Loss A/c	30,500	30,600	Stock	1,00,000	74,000
Bank Loan	70,000	Nil	Sundry Debtors	80,000	64,200
Sundry Creditors	1,50,000	1,35,200	Cash	500	600
Provision For Taxation	30,000	35,000	Bank	Nil	8,000
			Goodwill	Nil	5,000
	5,30,500	5,10,800		5,30,500	5,10,800

Additional Information :

- i) Dividend of Rs. 23,000 paid
- ii) The following assets of another company were purchased for consideration of Rs. 50,000 paid for in shares :  
Stock Rs. 20,000, Machinery Rs. 25,000
- iii) Further Machinery was purchased for Rs. 25,000 during the year
- iv) Net profit for the year was Rs. 66,100
- v) Depreciation written off on Building Rs. 10,000, Machinery Rs. 14,000
- vi) Income Tax paid during the year Rs. 28,000



10. a) What are the Capital Budgeting Techniques ?
- b) A Company wants to select one of the three projects-X, Y & Z. Initial investment in each case is Rs. 20,000. Net cash flows from the projects are as follows :

Year	Project X (Rs.)	Project Y (Rs.)	Project Z (Rs.)
1	2,000	1,000	2,500
2	3,000	4,000	3,000
3	4,000	4,000	4,000
4	6,000	8,000	9,000
5	10,000	10,000	8,000
6	10,000	9,000	10,000

Expected rate of return is 15% & PV Factors at 15% rate of discount are the following :

Year	1	2	3	4	5	6
P.V. factor	0.8696	0.7561	0.6575	0.5718	0.4972	0.4323

Which of the three projects will you recommend & why ?



11. a) What is Breakeven Sales ? Explain with a diagram.

b) Sales & Profit of a company are given below :

Period	Sales (Rs.)	Profit (Rs.)
I	1,00,000	10,000
II	1,50,000	20,000

- i) Determine Break Even point in terms of money.
- ii) What should be the sales to get a profit of Rs. 40,000 ?
- iii) What will be the amount of profit when sales is Rs. 1,20,000 ?

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