



Name :

Roll No. :

Invigilator's Signature :

**CS/HM/SEM-5/BHM-504/2009-10
2009**

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) The goals of financial management is

a) Profit maximization

b) Wealth maximization

c) Both (a) & (b)

d) none of these.

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ii) Which of the following is not related to the head of Current Assets ?

- a) Debtors
- b) Bills receivable
- c) Furniture
- d) Closing stock.

iii) Liquid ratio comprises

- a) CA to CL
- b) CA – Stock to CL – Bank overdraft
- c) CA to liquid liabilities
- d) none of these.

iv) At break-even point

- a) Total Sales = Total Fixed Cost
- b) Total Sales = Total Contributions
- c) Total Sales = Total Variable Cost
- d) Total Sales = Total Cost.

v) Which of the following is not a source of long-term finance ?

- a) Share
- b) Debenture
- c) Trade Credit
- d) None of these.



- vi) Capital budgeting refers to the
- a) demand and supply of capital
 - b) managerial technique of planning capital expenditures of the company
 - c) overall cost of capital
 - d) raising of capital.
- vii) The pay back period shows
- a) the time value of money
 - b) the cash outflows
 - c) recovery period of original investment outlay
 - d) none of these.
- viii) Which of the following is true at BEP ?
- a) $\text{Sales} = \text{Total cost}$
 - b) $\text{Profit} = \text{fixed cost} + \text{Variable cost}$
 - c) $\text{Sales} = \text{Contribution}$
 - d) $\text{Fixed cost} = \text{Variable cost}$.

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- ix) An increase in fixed costs will result in which of the following ?
- a) a decrease in the contribution : sales ratio
 - b) a decrease in the contribution per unit
 - c) an increase in the break-even point sales level
 - d) an increase in the margin of safety.
- x) Financing cannot be
- a) Spontaneous
 - b) Continuous
 - c) Intermittent
 - d) none of these.
- xi) If the profitability index is equal to one, then the project should be
- a) considered
 - b) accepted
 - c) rejected
 - d) retested with IRR.
- xii) Net working capital means
- a) current assets minus current liabilities
 - b) current liabilities minus current assets
 - c) preference share capital
 - d) cash balance.



GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following.

3 × 5 = 15

2. How does cash flow statement differ from fund flow statement ? 5
3. Discuss the limitations of accounting ratio in interpreting financial statements ? 5
4. Explain the relationship between Liquidity and Profitability ? 5
5. Discuss the factors which determine working capital requirement of a firm. 5
6. Appolo Hospital runs an Incentive Care Unit which consists of 35 beds and 5 more beds can be conveniently accommodated whenever required. Though the unit was open for the patients all the 365 days in a year but it was found that only 150 days in a year, the unit had full capacity of 35 patients per day and for another 80 days it had on an average 25 beds only occupied per day. But there were occasions when the beds were full, extra beds were hired from outside at a charge of Rs. 10 per day. This did not come to more than 5 beds extra above the normal capacity any one day. The total hire charges for the extra beds incurred for the whole year amounted to Rs. 7,500.
Calculate number of patient - Days. 5



GROUP – C

(Long Answer Type Questions)

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

7. From the following information prepare a summarized Balance Sheet in The Books of X Ltd. as at 31st December :

Liquid ratio	1.5
Current Ratio	2.5
Fixed assets to proprietorship	0.75
Working capital	Rs. 1,20,000
Reserve and surplus	Rs. 60,000
Bank overdraft	Rs. 20,000

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8. From the following information prepare a statement showing the estimated working capital requirements :

i) Projected annual sales	26,000 units
ii) Selling price per unit	Rs. 60
iii) Analysis of selling price per unit :	
Materials	Rs. 24
Wages	Rs. 18
Overhead	Rs. 12
Profit	Rs. 6.

- iv) Time lag (average) :

Raw materials in store	—	3 weeks
Production process	—	4 weeks
Finished goods are in stock	—	3 weeks
Credit to debtors	—	5 weeks
Credit from suppliers	—	3 weeks
Lag in payment of wages	—	4 weeks
Lag in payment of overheads	—	2 weeks

- v) Cash in hand is expected to be 10% of net working capital.

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9. What decisions may be taken from the cash flow statement of a multifacility hospital company operating in five metro cities in India ? Write with examples.

10. a) Explain the meaning of the term "fund" under fund flow statement.

b) The summarized Balance Sheets of CMRI Ltd. as at 2005 and 2006 are given below :

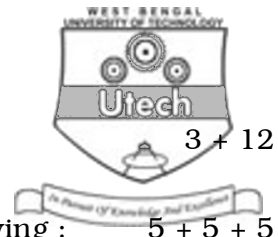
<i>Liabilities</i>	2005 Rs.	2006 Rs.	<i>Assets</i>	2005 Rs.	2006 Rs.
Share Capital	4,50,000	4,50,000	Fixed assets	4,00,000	3,20,000
Profit & Loss A/c.	3,56,000	3,78,000	Investment	50,000	60,000
Creditors	1,68,000	1,34,000	Stock	2,40,000	2,10,000
Provision for Taxation	75,000	10,000	Debtors	2,10,000	4,55,000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

Additional information :

- i) Investment costing Rs. 8,000 were sold during the year 2006 for Rs. 8,500
- ii) Provision for tax made during the year was Rs. 9,000
- iii) During the year a part of fixed assets costing Rs. 10,000 was sold at the same price.

You are required to prepare of fund flow statement.

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

- a) Term financing
 - b) Hospital accounting
 - c) BEP-chart
 - d) Types of financial statement
 - e) Scope of financial management.
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