



Name :

Roll No. :

Invigilator's Signature :

**CS/HM/SEM-5/BHM-504/2010-11
2010-11**

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 assets which are continuously losing value due to extraction are called
- a) tangible assets b) intangible assets
- c) fictitious assets d) wasting assets.
- ii) The current ratio of a business is 5 : 2. If current liabilities are Rs. 4,00,000 and Stock in Trade Rs. 4,00,000, then total current assets is
- a) Rs. 14,00,000 b) Rs. 10,00,000
- c) Rs. 20,00,000 d) Rs. 40,00,000.



- iii) If total sales is Rs. 4,00,000 and P/V ratio is 20%, then contribution is
- a) Rs. 80,000 b) Rs. 20,00,000
c) Rs. 4,00,000 d) none of these.
- iv) Profit (before tax and depreciation) is Rs. 50,000, tax rate is 20% and depreciation is Rs. 5,000. Then profit (after tax before depreciation) is
- a) Rs. 41,000 b) Rs. 10,000
c) Rs. 36,000 d) Rs. 22,500.
- v) Which of the following techniques does not use time value of money concept ?
- a) Net present value b) Internal rate of return
c) Payback d) Profitability index.
- vi) Balance sheet is prepared
- a) to check the accuracy of books
b) to know the financial position
c) to know the net profit or loss
d) to find out the value of assets.
- vii) Hospital must make use of
- a) operating costing b) process costing
c) job costing d) multiple costing.
- viii) Which of the following is regarded as tax saving instrument in decision making ?
- a) Depreciation b) Tax
c) Interest d) Dividend.



- ix) The liquid ratio is sometimes called as
- a) quick ratio b) acid test ratio
c) liquid ratio d) all of these.
- x) If production increases, variable cost will
- a) remain constant
b) increase on a per unit basis
c) vary inversely
d) remain unchanged.
- xi) The cost at which carrying and ordering cost is minimized is called
- a) economic order quantity
b) equal order quantity
c) equal order quality
d) none of these.
- xii) Cash flow statement is in accordance with
- a) AS-3 b) AS-2
c) AS-1 d) AS-28.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. 3 × 5 = 15

2. State the limitations of financial ratio in interpreting profitability of a business.



3. State the long term sources of finance available for establishing hospitals in backward areas.
4. State in brief the challenges of managing inventory of an orthopaedic hospital.
5. Elaborate the importance of debt-equity ratio of a hospital situated on a leasehold property.
6. What do you mean by margin of safety ? How important is margin of safety calculation in a blood bank ?

GROUP – C

(Long Answer Type Questions)

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

7. A summary of Receipts and Payments of a Medical Aid Society is given below :

Receipts and Payments Account as on 31st March, 2010

Dr.			Cr.
Receipts	Rs.	Payments	Rs.
To Balance (01. 04. 2009)	7,000	By Purchase of medicine	30,500
To Subscription	50,000	By Honorarium to doctors	10,000
To Donation	14,500	By Salaries	27,500
To Interest on investment (7% p.a.)	7,000	By Sundry expenses	500
To Charity show proceeds	10,000	By Charity show expenses	1,000
		By Balance (31. 03. 2010)	19,500
Total	88,500	Total	88,500



Additional information :

	01. 04. 2009	31. 03. 2010
	Rs.	Rs.
i) Subscription due	500	1,000
ii) Subscription received in advance	1,000	500
iii) Stock of medicines	10,000	15,000
iv) Value of equipment	36,000	—
v) Value of buildings	40,000	38,000

Depreciation on equipment Rs. 6,000. Prepare an Income and Expenditure Account and Balance Sheet of the year ended 31. 03. 2010.

8. The following figures of sales and profits for two periods are available in respect of a concern.

Period	Sales (Rs.)	Profit (Rs.)
I	1,00,000	15,000
II	1,20,000	23,000

You are required to find out :

- i) Profit volume ratio
- ii) Fixed cost
- iii) BEP sales
- iv) Profit at an estimated sales of Rs. 1,25,000.
- v) Sales require to earn a profit of Rs. 20,000.

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9. a) State the operating cycle concept of working capital.
 b) Forties Ltd. provides the following information :

Elements of cost	Amount per unit
Raw materials	80
Direct labour	30
Overheads	60
Profit	30
Sales	200

The following further particulars are available :

- i) Raw materials are in stock - 1 month
- ii) Materials are in process on an average - $\frac{1}{2}$ month
- iii) Finished goods are in stock on an average - 1 month
- iv) Credit allowed by supplier - 1 month
- v) Credit allowed to customer - 2 months
- vi) Lag in payment of wages - 1.5 weeks
- vii) Lag in payment of overheads - 1 week
- viii) 25% of output is sold against cash
- ix) Cash in hand is expected to be Rs. 25,000.
- x) Level of activity 10,400 units.

You are required to prepare a statement showing the working capital required. 5 + 10

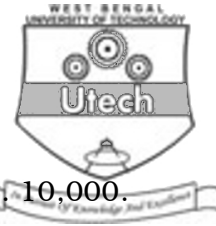


10. Write short notes on any *three* of the following : 3 × 5

- a) Internal rate of return
- b) Contribution
- c) Semi-variable costs
- d) Negative working capital
- e) Amortization of patent owned by a medical centre.

11. Following is the Balance Sheet of Fox Ltd. as on 31. 03. 09 and 31. 03. 10

<i>Liabilities</i>	31.03.09	31.03.10	<i>Assets</i>	31.03.09	31.03.10
	Rs.	Rs.		Rs.	Rs.
Equity share capital	40,000	50,000	Fixed assets	60,000	75,000
10% redeemable pref. share capital	20,000	12,000	Investments	7,000	9,000
Security premium	0	5,000	Stock	20,000	23,000
General reserve	16,000	18,000	Debtors	19,000	24,000
Profit & loss A/c	4,000	7,000	Cash and bank	6,000	9,000
Creditors	11,000	9,000	Preliminary expenses	6,000	4,000
Provision for taxation	12,000	23,000			
Proposed dividend	15,000	20,000			
	1,18,000	1,44,000		1,18,000	1,44,000

*Other information :*

- a) Depreciation charged during the year Rs. 10,000.
- b) Some fixed assets which had a book value was Rs. 15,000 and were sold for Rs. 18,000 during the year.
- c) During the year income tax and dividend were paid for Rs. 14,000 and Rs. 15,000 respectively.

Prepare a cash flow statement.

12. The summarized Balance Sheets of CMRI Ltd. as at 2009 and 2010 are given below :

Liabilities	2009 Rs.	2010 Rs.	Assets	2009 Rs.	2010 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 loan	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 2010 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 same price.

You are required to prepare a fund flow statement.