Name : ....

Roll No. : ....

Invigilator's Signature : ....

CS/HM/SEM-5/BHM-504/2011-12

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 for any *ten* of the following : 10 × 1 = 10

i) If CA stands for current assets and CL means current liabilities, acid test ratio is

a) CA – Stock / CL b) CA + Stock / CL

c) CA / CL d) CL / CA.

ii) EPS measures

a) profitability b) credibility

c) operational efficiency d) standard deviation.

iii) Which of the following is a non-discounting technique of capital budgeting ?

a) NPV | b) IRR

c) Pay back period | d) Profitability Index.

iv) The point where the revenue of an organization is in equilibrium with expenses is called

a) break up cost | b) split off point

c) break up point | d) break even point.

v) Which of the following is not an objective of financial management ?

a) Value maximization

b) Profit maximization

c) Ensure adequate liquidity

d) Avoiding tax unethically.

vi) Financial management is traditionally involved in

a) anticipating financial needs

b) acquiring financial resources

c) allocating funds in business

d) all of these.

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

a) Debenture

b) Equity capital

c) Commercial paper

d) Preference share capital.

viii) Average stock of raw materials = Rs. 76,000

Annual consumption of raw materials Rs. 7,20,000

1 year = 360 days

The raw material storage period is

a) 36 days b) 38 days

c) 40 days d) 42 days.

ix) Which of the following is a spontaneous source of financing current assets ?

a) Public deposits

b) Short-term bank finance

c) Commercial paper

d) Trade credit.

x) If the present value of the net cash flows of a project is Rs. 20 crore and the initial investment in the project is Rs. 16 crore, then the benefit cost ratio of the project is

a) $\frac{1}{5}$ b) $\frac{1}{4}$

c) $\frac{4}{5}$ d) $\frac{5}{4}$.

xi) The initial outlay for a project is Rs. 25 crore. The project analyst expects the following annual cash flows which will be generated uniformly over the years :

Year	0	1	2	3	4	5	6	7
Cash flow (Rs. in crore)	(25)	7	6	6	5	4	4	8

The pay-back period for this project will be

a) 4·00 years b) 4·25 years

c) 4·50 years d) 4·75 years.

xii) In which of the following cases a project will not be accepted ?

a) NPV > 0

b) 0 < BCR < 1

c) 0 < NBCR < 1

d) IRR – Cost of capital > 0.

GROUP – B

(Short Answer Type Questions)

Write short notes on any *three* of the following. 3 × 5 = 15

2. Is depreciation of fixed assets of a hospital a source of fund ? Explain with example.

3. From the following data of Kolkata Hospital, you are required to calculate :

   a) P/V ratio

   b) Break even sales

   c) Sales required to earn a profit of Rs. 4,50,000

   Fixed expenses of the Hospital of Rs. 9,00,000.

   Sales during the period of Rs. 20,00,0000

   Variable expenses of Rs. 4,00,000.

4. What do you mean by NPV ? Differentiate between NPV and IRR.

5. What factors a firm considers in framing the working capital policy ?

6. Discuss any three ratios computed for investment analysis.

GROUP – C
(Long Answer Type Questions)

Answer any *three* of the following. 3 × 15 = 45

7. The Comparative Balance Sheet of Alpha Medicare Hospitals Ltd. for the year 2010 and 2011 are given below. Prepare a funds flow statement for the year 2011.

Balance sheet of Alpha Medicare Hospital Ltd.

Liabilities	**31.03.2011**	**31.03.2010**	***Assets***	**31.03.2011**	**31.03.2010**
Share Capital (Shares of Rs. 100)	4,00,000	3,60,000	Fixed assets	5,20,000	4,80,000
			Less Depreciation	1,40,000	1,08,000
General Reserve	60,000	1,10,000		3,80,000	3,72,000
P/L A/c	33,450	20,450	Investment	50,000	1,00,000
Sundry creditors	1,95,350	1,33,650	Debtors	1,67,800	1,18,300
Proposed dividend	15,000	28,800	Stock	90,500	55,600
Provision for tax	32,000	50,000	Bank balance	47,500	49,800
			Preliminary expense	—	7,200
	7,35,800	**7,02,900**		**7,35,80**	**7,02,900**

Additional Information :

i) The net profit for the year (after providing depreciation Rs. 40,000, writing off preliminary expenses Rs. 7,200 and making provision for tax Rs. 3,200) amounted to Rs. 38,000.

ii) During the year old operation theatre equipments (with accumulated depreciation Rs. 8,000) worth Rs. 9,000 was disposed off at Rs. 3,000.

iii) A portion of investment was considered worthless and was written off the General Reserve. The cost of such investment was Rs. 50,000.

iv) During the year company paid interim dividend of Rs. 10,000 and the directors have proposed a final dividend of Rs. 15,000 for the year 2010.

8. Write the importance of the following financial ratios with the applications in managing multi-speciality hospitals :

a) Inventory turnover ratio

b) Return on investment

c) Fixed assets turnover ratio

d) Quick ratio.

9. The Financial Manager of a Company has to advise the Board of Directors on choosing between two compelling Project proposals which require an equal investment of Rs. 10,00,000 and are expected to generate cash flows as under :

End of year	***Project - I (Rs.)***	***Project - II (Rs.)***
01	4,80,000	2,00,000
02	3,20,000	2,40,000
03	2,00,000	3,60,000
04	Nil	4,80,000
05	2,40,000	1,60,000
06	1,20,000	80,000

Which Project proposal should be recommended and why ? Assume the capital to be 10% p.a. The following are the present value factors at 10% p.a.

Year	01	02	03	04	05	06
Factors	0·909	0·826	0·751	0·683	0·621	0·564

15

10. The following information relates to the operations of Malhotra Industries Ltd. :

Networth Current liabilities and provisions	Rs. 30 lakh Rs. 30 lakh
Gross profit	Rs. 36 lakh
Gross profit margin	20%
Total asset turnover	2
Inventory turnover	5
Average collection period	50 days
Total debt to equity ratio	2
Current ratio	2·20

Prepare the balance sheet of the company given below :

Balance Sheet

Net worth		Net fixed assets	
Term loan		Inventories	
Current liabilities and provisions		Receivables	
		Cash and bank	
Total		Total	

It is assumed that sales are entirely on credit basis. Assume 1 year = 360 days. 15

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

a) Contribution

b) OPD costing

c) Depreciation of an ECG machine

d) Preference Share Capital

e) Financial Statements prepared by Non-profit Seeking Concerns

f) Use of General Reserve.