

Name :

Roll No. :

Invigilator's Signature :

CS/B.TECH (CSE/IT/EE/CT/ICE)/SEM-7/HU-701/2011-12

2011

FINANCIAL MANAGEMENT AND ACCOUNTS

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 called Revenue Expenditure ?
 - a) Purchase a machine by cheque
 - b) Purchase of stationery items for office use on credit
 - c) Purchase of shares of another company by cheque
 - d) Accounts officer marks telephone bill for payment to accounts clerk.
- ii) The proprietor is treated as a creditor to the extent of his capital according to
 - a) going concern concept
 - b) separate entity concept
 - c) money measure concept
 - d) dual aspect concept.



- iii) Working capital includes
 - a) Cash at FCNR(B) Accounts
 - b) Bad debt
 - c) a process patent
 - d) Debenture.
- iv) A large angle of incidence indicates
 - a) a low rate of profit
 - b) a high rate of profit
 - c) profit is equal to loss
 - d) no profit, no loss.
- v) Bad debts are shown under the head
 - a) Factory overhead
 - b) Administration overhead
 - c) Selling overhead
 - d) Distribution overhead.
- vi) Copyright is
 - a) Personal account b) Real account
 - c) Expense account d) Nominal account.
- vii) If a firm purchases a new asset out of proprietor's contribution, there will be
 - a) decrease in liability
 - b) increase in capital
 - c) decrease in current assets
 - d) none of these.



- viii) Which of the following is correct ?
- a) Liabilities = Assets + Capital
 - b) Asset = Liabilities – Capital
 - c) Capital = Assets – Liabilities
 - d) Capital = Assets + Liabilities.
- ix) Proprietor paid income tax through issuing business cheque. Which of the account will be debited ?
- a) Cash account
 - b) Tax Contribution account
 - c) Drawing account
 - d) Bank account.
- x) Economic order quantity is computed so that
- a) the ordering and carrying costs are least
 - b) the ordering and stock out costs are least
 - c) the ordering and back ordering costs are least
 - d) the cost of materials are least.
- xi) RONW signifies
- a) Return on Net Work
 - b) Rate of Notional Working Capital
 - c) Return on Wages and Contribution
 - d) Rate of Net Wastage (in a manufacturing system).
- xii) K_e is considered as
- a) cost of equity
 - b) cost of economic profit
 - c) constant for calculating average interest
 - d) return on equity.



GROUP – B

(Short Answer Type Questions)

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

2. What is Pay-back period ? A project costs Rs. 20,00,000 and yields annually a profit of Rs. 3,00,000 after depreciation @ 12.5% (straight line method) but before tax 50%. Calculate the cash inflow from the project pay-back period.
3. What do you mean by Consolidated Balance Sheet ?
4. Differentiate between Provision and Reserve.
5. Differentiate between Trade discount and Cash discount.
6. Briefly mention the advantages of preparing a Master Budget.

GROUP – C

(Long Answer Type Questions)

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

7. A company is considering an investment proposal to instal new milling controls at a cost of Rs. 50,000. The facility has a life expectancy of 5 years and no salvage value. The tax rate is 35 per cent. Assume the firm uses straight line method of depreciation and the same is allowed for tax purposes.

The estimated cash flows before depreciation and tax (CFBT) from the investment proposal are as follows :



Year	CFBT (Rs.)
1.	10,000
2.	10,692
3.	12,769
4.	13,462
5.	20,385

Compute the following :

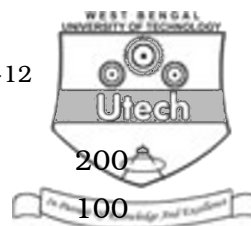
- Payback period
 - Net present value at 10 per cent discount rate
 - Internal rate of return.
8. From the following data, compute the duration of the operating cycle for each of the two years and comment on the increase / decrease :

Particulars	Year 1 (Rs.)	Year 2 (Rs.)
Stocks :		
Raw Materials	20,000	27,000
Work-in-process	14,000	18,000
Finished goods	21,000	24,000
Purchase of raw materials	96,000	1,35,000
Cost of goods sold	1,40,000	1,80,000
Sales	1,60,000	2,00,000
Debtors	32,000	50,000
Creditors	16,000	18,000

Assume 360 days per year for computation purposes.

9. Prakash Packers Ltd. has the following capital structure :

Rs. in lakh



Equity capital (Rs. 10 per value)	200
14% Preference shares capital (Rs. 10 each)	100
Retained earnings	100
12% debentures (Rs. 100 each)	300
11% term loan from ICICI Bank	50
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The market price per equity share is Rs. 32. The company is expected to declare a dividend per share of Rs. 2 per share and there will be a growth of 10% in the dividend for the next 5 years. The preference shares are redeemable at a premium of Rs. 5 per share after 8 years and are currently traded at Rs. 84 in the market. Debenture redemption will take place after 7 years at a premium of Rs. 5 per debenture and there current market price is Rs. 90 per unit. The corporate tax rate is 40%. Calculate the Weighted Average Cost of Capital (WACC).

10. a) State the definition and meaning of cash flow statement. Discuss the advantages and limitations of cash flow statement. 9
- b) Discuss the difference between cash flow statement and fund flow statement. 6
11. Write short notes on any *three* of the following : 3 ∞ 5
 - a) Gross Profit Ratio
 - b) Creditor's velocity
 - c) Bills payable
 - d) Cost centre
 - e) Margin of Safety.
12. From the following Trial Balance, extracted from the books of Mr. Black, prepare a Trading and Profit & Loss A/c for the



year ended 31st December, 2010 and a Balance Sheet as on that date :

Account Heads	Debit (Rs.)	Credit (Rs.)
Capital	—	50,000
Plant & Machinery	35,000	—
Furniture & Fittings	5,000	—
Addition to Plant & Machinery (1. 9. 2010)	3,000	—
Opening Stock	10,500	—
Purchases and Sales	28,500	64,000
Returns	2,000	3,000
Carriage Inward	500	—
Carriage Outward	700	—
Bad debt	300	—
Wages	6,000	—
Salary	8,000	—
Discount	200	1,000
Bank Overdraft	—	4,000
Advance	—	1,000
Rent paid	6,900	—
Drawings	3,000	—
Sundry Debtors & Creditors	19,000	10,000
Cash in hand	1,900	—
Trade Expenses	2,000	—
Insurance	500	—
	1,33,000	1,33,000

The following adjustments are to be made :

- Closing Stock on 31st December, 2010 : Rs. 15,000
- Depreciation Plant & Machinery @ 10% p.a. (including the addition) and Furniture & Fitting @ 15% p.a.
