



Name : .....

Roll No. : .....

Invigilator's Signature : .....

**CS/B.Tech (CSE, IT, EE)/SEPARATE SUPPLE/SEM-7/HU-701/2011**

**2011**

**FINANCIAL MANAGEMENT & 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 the following :  $10 \times 1 = 10$

- i) Basic objectives of financial management is
  - a) Maximisation of profits
  - b) Maximisation of share holders' wealth
  - c) Ensuring financial discipline in the organization
  - d) None of these.
- ii) Cash account is a
  - a) Personal account
  - b) Real account
  - c) Nominal account.



- iii) Gross working capital represents
- a) Total current assets
  - b) Total current liabilities
  - c) Net current assets
  - d) None of these.
- iv) The trial balance checks
- a) arithmetical accuracy of books
  - b) the honesty of book-keeper
  - c) the valuation of closing stock.
- v) Debt-equity ratio is
- a) Liquidity ratio
  - b) Profitability ratio
  - c) Solvency ratio
  - d) None of these.
- vi) Identify the one which is not a fixed asset
- a) Furniture
  - b) Building
  - c) Debtors
  - d) Plant.
- vii) In a balance sheet, investment is an element of
- a) Asset
  - b) Liability
  - c) Sales
  - d) None of these.



viii) Materials issued are priced at the latest purchase in

- a) FIFO
  - b) HIFO
  - c) LIFO
  - d) Simple average.
- ix) Optimum capital structure is one
- a) Maximum cost of capital
  - b) Minimum cost of capital
  - c) Normal cost of capital
  - d) None of these.
- x) To a financial analyst 'working capital' means the same thing as
- a) Total assets
  - b) Current assets
  - c) Fixed assets
  - d) Current assets minus current liabilities.



**GROUP – B**

**( Short Answer Type Questions )**

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

2. Difference between NPV & IRR.
3. What do you understand by 'time value of money' ?
4. State the role of working capital in industry.
5. Explain the concept of CVP analysis with a simple example.
6. How is the NPV index used to evaluate the viability of any project ?
7. Write notes on the following :
  - i) Master budget and
  - ii) Margin of safety.

**GROUP – C**

**( Long Answer Type Questions )**

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

8.
  - a) What is a Trial Balance ? 4
  - b) Distinguish between Trial Balance and Balance sheet. 5
  - c) What are Ledgers ? 3
  - d) Distinguish between a Journal and a Ledger. 3



9. For two projects A and B the initial investment and cash inflow in 1st and 2nd years are as follows :

Projects	Initial investment	Cash flows ( Rs. )	
		1st Year	2nd Year
A	Rs. 10,000	10,000	—
B	Rs. 10,000	7,500	7,500

Calculate the

- i) Pay-back period and
  - ii) NPV, assuming 12% discount rates of the projects.  
What is the IRR of project A ?
10. a) Distinguish between break even point and shut down point. 6

- b) The following data are obtained from the records of a factory —

Sales 5,000 units	@ Rs. 40
Material consumed	Rs. 60,000
Labour charge	Rs. 40,000
Variable overhead	Rs. 20,000
Fixed overhead	Rs. 25,000.

Calculate —

- i) Break even point ( sales )
- ii) Sales needed to earn a profit @ 25% on sales.
- iii) If it is proposed to reduce selling price by 10%,  
find the sales to obtain the present profit.

3 + 3 + 3



11. a) i) What do you understand by working capital ?

ii) State the elements of working capital.

5

b)

Cost	Machine X Rs. 56,125	Machine Y Rs. 56,125
Estimated life	5 years	5 years
Estimated salvage value	3,000	3,000

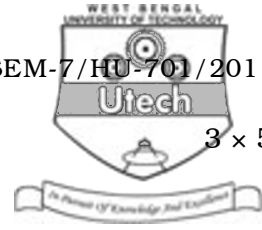
Annual Income after tax and depreciation.

Year	Rs.	Rs.
1	3,375	11,375
2	5,375	9,375
3	7,375	7,375
4	9,375	5,375
5	11,375	11,375

Overhauling charges at the end of the third year for Machine A Rs. 25,000. Depreciation has been charged at straight line method. Discounting rate is 10%, present value factor at 10% for five year are 0.909, 0.826, 0.751, 0.683 and 0.621.

Suggest which project should be accepted.

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12. Answer any *three* of the following :

3 × 5

- a) Write short note on Acid-test ratio
- b) Write short note on Time value of money
- c) Write short note on Debt equity ratio
- d) What are liability ratios and what is their significance ?
- e) Define economic order quantity ( EOQ ). What are the limitations of the EOQ model ?

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