

**INDUSTRIAL & FINANCIAL MANAGEMENT**  
**HU503**

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. Answer any **ten** from the following, choosing the correct alternative of each question: **10×1=10**

SL. NO.	Question	Marks
(i)	Which of these methods DOES NOT follow Time Value of Money principle? a) NPV b) ARR c) IRR d) PI	1
(ii)	Good will account is a a) Personal account b) real account c) nominal account d) none of these	1
(iii)	Net profit is computed in the (a) Profit and loss account (b) Balance sheet (c) Trial balance (d) Trading account	1
(iv)	The ratio which is a good indicator to maintain the correct selling price and efficiency of trading activity is----- (a) Net profit ratio (b) Gross profit ratio (c) Current ratio (d) Liquid ratios	1
(v)	Financial Statements provide a summary of ----- (a) Accounts (b) Assets (c) Liabilities (d) Expenses	1
(vi)	Increases in current liabilities -----working capital (a) Increase	1

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- (b) Decreases  
(c) Added  
(d) None of these
- (vii) Which from the following is NOT an example of intangible assets? 1  
(a) Trademarks  
(b) Patents  
(c) Buildings  
(d) Technical expertise
- (viii) Which one of the following is the best example of a variable cost? 1  
(a) Interest on capital  
(b) Depreciation on machinery  
(c) Cost of Materials  
(d) Rent and taxes
- (ix) Fixed Cost per unit increases when 1  
(a) Variable cost per unit increases  
(b) Variable cost per unit decreases  
(c) Production value increases  
(d) Production volume decreases
- (x) The break-even point would be increased by 1  
(a) A decrease in fixed cost  
(b) An increase in contribution margin ratio  
(c) An increase in variable cost  
(d) A decrease in variable cost
- (xi) A budget that gives a summary of all the functional budgets and projected profit and loss account is known as 1  
(a) Capital Budget  
(b) Master Budget  
(c) Flexible Budget  
(d) Discretionary Budget
- (xii) Which of the following is usually a long-term budget? 1  
(a) Sales budget  
(b) Cash budget  
(c) Capital expenditure budget  
(d) Fixed budget

**GROUP – B**  
**(Short Answer Type Questions)**  
**(Answer any three of the following) 3 x 5 = 15**

2. Journalise the following transactions for the month of March 2012 in the books of A & CO 5  
a) Mr. A started business with capital Rs.1,00,000

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- b) Loan received from SBI Rs.50,000  
c) Purchased goods from Mr.B Rs.10,000  
d) Paid salary and wages Rs.5000  
e) Paid to Mr.B Rs.9000 as final settlement of his dues.
3. Define Working Capital. What are the sources of short-term working capital?
4. From the following information calculate the Sales required to earn a profit of Rs 1,20,000:
- Sales : Rs 6,00,000  
FC : Rs 1,80,000  
VC : Rs 3,75,000
5. (i) What is Ledger? 2  
(ii) Define Posting. 3
6. A company earns a profit of Rs 40,000 in a year. The variable cost & selling price of a product are Rs 10 & 12 per unit respectively. Calculate the Margin of Safety. 5

**GROUP – C**  
(Long Answer Type Questions)

(Answer any *three* of the following) **3 x 15 = 45**

- | SL. NO. |   | Marks |
|---------|---|-------|
| 7.      | (i) Explain the following<br>a) Tangible assets<br>b) Intangible assets<br>c) Fictitious assets | 2+2+2 |
|         | (ii) Following is the Trial balance of Sourav, a sole trader as on 31 <sup>st</sup> March, 2017 | 9     |

Debit balance Amount	Amount	Credit Balance	Amount
Cash at hand	10250	Sales	2,40,000
Discount allowed	700	Capital	1,92,200
Wages	23000	Provision for doubtful debt	1250
Salaries	24000	Return	

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Return inward		Outward	1500
Bad debt	1800	Bills Payable	12500
Carriage outward	950	Sunday Creditors	30,000
Carriage Inward	1050		
Bills receivable	1200		
Purchases	22500		
Plant & Machinery	1,40,000		
Sunday debtors	75,000		
Furniture	40,000		
Opening Stock	25,000		
Building	32,000		
	80,000		
	4,77,450		4,77,450

Adjustments:

- 1) Closing Stock Rs.70,000
- 2) On 31<sup>st</sup> March 2017 outstanding wages and salaries were Rs.6000 and Rs.5000 respectively.
- 3) New bad debt Rs 1000 and provision for doubtful debts to be maintained @10% on Sunday debtors.
- 4) Depreciation is to be provided on building @10% on plant and machinery @5% and on furniture @20%

You are requested to prepare Trading Account ,Profit and loss Account and Balance Sheet as on 31<sup>st</sup> March ,2017

8. (i) Current Ratio is 3:5. Working capital is Rs.9,00,000. How would you show current assets and current liabilities 5
- (ii) Following are the Trading Account ,Profit and Loss Account of Sameer Ltd for the year ending 31<sup>st</sup> December,1996 and balance 10

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sheet on that date:

P/L A/C

To Opening Stock	1,45,000	By Sales	7,50,000
To Purchases	6,10,000	By closing Stock	1,55,000
To Gross Profit	1,50,000		
	9,05,000		9,05,000
To Sundry Creditors	80,000	By Gross Profit b/d	1,50,000
To Net Profit	70,000		
	1,50,000		1,50,000
<b>Balance Sheet</b>			
Share Capital	7,00,000	Net sales	5,50,000
Reserves and surplus - 5000		Stock	2,55,000
Add: Profit for the year 70,000	1,20,000	Debtors	1,80,000
	35,000	Cash	20,000
Bank overdraft	1,50,000		
Creditors			
	10,50,000		10,50,000

You are required to calculate the following ratios:

- 1) Current ratio
- 2) Quick ratio
- 3) Gross profit to sales ratio
- 4) Stock turnover ratio
- 5) Debtors turnover ratio
- 6) Net profit to paid up capital

9. (i) What are nominal, real and personal Account? Give two examples of each of them

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|-----|-------|--|-------|
|     | (ii)  | What is a trail balance?   | 4     |
|     | (iii) | State the features of Trial Balance  | 6     |
| 10. | (i)   | The projected output of a plant ,when sold ,would earn Rs.70,000 in sales income to Mixer Ltd. The variable costs for this production volume would be Rs.30,000. The fixed cost are Rs.20,000.<br><br>Determine the following:<br>a) The break even point of the company<br>b) The profit or loss to the company on sales of Rs.49,000 and Rs.28,000<br>c) The amount of sales that will enable the company to earn a net profit of Rs.28,000. | 9     |
|     | (ii)  | Explain the objectives of financial management.  | 6     |
| 11. |       | Short notes (any three):<br>a) Acid Test Ratio<br>b) Margin of safety<br>c) GST<br>d) Zero base budgeting  | 5+5+5 |