

B.TECH/ IT /ODD-2022/SEM -V./HU503/2022-23
YEAR: 2023

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	Question	Marks	CO No.
(i)	Which of these methods DOES NOT follow Time Value of Money principle? a) NPV b) ARR c) IRR d) PI	1	CO 5
(ii)	At Break-Even Point a) Revenue > Cost b) Revenue < Cost c) Revenue = Cost d) No relation between revenue & cost	1	CO 2
(iii)	Inflation makes a) Future rupees less valuable than present rupees b) Future rupees more valuable than present rupees c) Future rupees equal to present rupees d) None of these	1	CO 5
(iv)	Which of these is NOT a major function of financial management? a) Investment decisions b) Dividend decisions c) Financial decisions d) Manpower decisions	1	CO 3
(v)	Raw Materials is a a) Fixed cost b) Variable cost	1	CO 1,4

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- c) Semi-fixed cost
d) Opportunity cost
- (vi) CVP Relationship is shown by 1 CO 2
a) Break-even Chart
b) Profit-Volume Graph
c) CVP Chart
d) Profit Path Chart
- (vii) Budget is the most important tool of 1 CO 2,3
a) Cost Planning
b) Production Planning
c) Sales Planning
d) All of these
- (viii) A large Margin of Safety means 1 CO 2
a) Over production
b) Under production
c) A favourable condition for the business
d) Under capitalization
- (ix) At IRR, NPV is 1 CO 5
a) Zero
b) Positive
c) 1
d) Negative
- (x) Working capital is 1 CO 1,5
a) CA+CL
b) CA-CL
c) CA/CL
d) CA x CL
- (xi) GST stands for 1 CO 6
a) Govt Sales Tax
b) Goods & Supply Tax
c) Goods & Services tax
d) General Sales Tax
- (xii) Which of the following is also known as Benefit Cost Ratio? 1 CO 1,4
a) NPV
b) ARR
c) Return on Investment

d) P.I

GROUP – B
(Short Answer Type Questions)
(Answer any *three* of the following)

3x5=15

- 2 Define financial management. State its objectives. 1+4 CO 1,5
- 3 A machine costs Rs 30,000 with an estimated life of 5 yrs. Calculate the NPV of the project, assuming a scrap value of Rs 1000 and a discounting rate of 10%. The expected cash flows and the discounting factors @ 10% are given below:

Year	Annual Cashflow(Rs)	D.F@10%
1	5000	0.909
2	10,000	0.826
3	10,000	0.751
4	3000	0.683
5	2000	0.621

- 4 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 CO 2
- 5 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 CO 1,4
- 6 “Contribution is a better indicator of profitability of a business than Sales”—Do you agree? Justify your answer. 5 CO 3,5

GROUP – C
(Long Answer Type Questions)
(Answer any *three* of the following)

3 x 15 = 45

- 7 a) From the following information calculate :
i) Contribution ii) P/V Ratio iii) Break-Even Sales iv) Margin of Safety :
Sales = Rs 40,000 ; Fixed Cost = Rs 12,000 ; Variable Cost = Rs 20,000
Also calculate the revised values of these if:
Fixed cost increases by 10%
Variable Cost decreases by 10%
Sales increases by 10% (Consider all changes are happening together) 10+5 CO 2,5

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b) Explain the impact on profitability of a firm due to changes in costs and revenue.

- 8 a) From the following information calculate the IRR for 13% and 14% discounting rate: 10+5 CO 2,3

Yr	Net Cash Flow(Rs)
1	5000
2	8000
3	10,000
4	4000

Initial Investment is Rs 20,000.
Given:

Year	<u>D.F@13%</u>	D.F@14%
1	0.885	0.877
2	0.783	0.770
3	0.693	0.675
4	0.613	0.592

b) Distinguish between cash budget and flexible budget.

- 9 a) ABC Ltd needs your help in selection of profitable projects out of the details given below: 10+5 CO 1,5

Projects	Cost (Rs)	Annual Cash Inflow(Rs)	Life of the Project
A	3,00,000	1,10,000	5
B	2,50,000	56,000	7
C	5,00,000	1,00,000	10
D	4,00,000	90,000	12
E	1,50,000	30,000	8

The company's required rate of return is 14%. Advise the management about the profitable projects within a budget of Rs 6,00,000.

Given :

No of Years	Annuity factor @14%
5	3.433
7	4.288
8	4.639
10	5.217
12	5.660

- 10 b) Write the major points of distinction between NPV & IRR.
a) Prepare an estimate of working capital requirement from the following information of a trading concern: 10 CO 2

Projected annual sales 10,000 units Selling price Rs. 10 per unit
Percentage of net profit on sales 20%
Average credit period allowed to customers 8 Weeks Average

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credit period allowed by suppliers 4 Weeks

Average stock holding in terms of sales requirements 12 Weeks

Allow 10% for contingencies

b) State the major importance of Working Capital.

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| 11 | Write short notes on <i>any three</i> of the following:
a) GST
b) Zero base budgeting
c) Operating Cycle
d) Time Value of Money principle
e) MoS | 3x5 | CO
6,2,3,
5,4 |
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