VC- D 14/09/2015 – SYBBI Sem. III – Financial Management – 2 ½ Hrs. – 75 Marks - 160

Sub. – Financial management

Q1. A) State whether the following statements are true or false (any7) (7 mrks)

1. Wealth maximization is concerned with maximization of wealth of shareholders.
2. Profitability signifies profit earning capacity of the organization.
3. Liquid ration express the relationship between current assets and current liabilities.
4. Inventories are considered as quick assets.
5. A budget is an estimate of future needs.
6. Budgetary control is a process of exercising control through budgets.
7. Short term sources include equity shares, preference shares and debentures.
8. Equity shares have preference respect of refund and dividend.
9. Debentures have fixed rate of interest and do not have any controlling power.
10. Finance is the life-blood of the modern business organization.

B). Match the followings (any 8) (8 mrks)

Group A	Group B
1. Current Ratio	a Total PV – Cash Outlay
2. Long term finance	b. Redeemable
3. NPAT	c. Equity Shares
4. Liquid Ratio	d. Maximize Profit
5. Short term finance	e. Working Capital Ratio
6. NPV	f. Bank Overdraft
7. Wealth maximization	g. Quick Assets / Quick Liabilities
8. Working Capital	h. NPBT – Tax
9. Profit maximization	i. maximizes market value of shares
10. Preference Shares	j. Current Assets – Current Liabilities

(8 mrks)

Q2 A) Rearrange the following in vertical form:

Balance sheet as on 31-03-2014

Liabilities	Rs.	Assets	Rs.
Equity share capital	2,00,000	Land & Building	160,000
General reserve	1,20,000	Plant & machinery	84,000
Profit & Loss A\C	10,000	Furniture	14,000
Provision for tax	20,000	Investment	12,000
Creditors	60,000	Stock	55,000
Bills payable	20,000	Debtors	93,000
		Cash	12,000
	4,30,000		4,30,000

B) Prepare the common size income statement (7 mrks)

Trading/ Profit & Loss A\C for the year ended 31/03/2014

Particulars	Rs.	Particulars	Rs.
To opping stock	80,000	By sales	16,00,000
To purchases	9,90,000	By closing stock	1,20,000
To wages	2,50,000		
To gross profit	4,00,000		
	17,20,000		17,20,000
To office expenses	1,00,000	By gross profit	4,00,000
To selling expenses	50,000	By non operating expenses	20,000

To finance expenses	1,08,000		
To tax	40,000		
To net profit	1,22,000		
	4,20,000		4,20,000

OR

Q2. G Ltd. Is considering the following three investment proposals requiring a net cash outlay of Rs. 1,20,000; Rs. 1,70,000 and Rs. 2,40,000 respectively. The after cash inflows are tabulated below.

Rank these projects in order of their profitability according to the Profitability Index method. Assume that the firm's cost of capital is 15%. (15)

Year	After tax cash inflows			PV of Rs. 1 at 15% discounting factor
	Project X Rs.	Project Y Rs.	Project Z Rs.	
1	10,000	50,000	90,000	0.870
2.	30,000	65,000	1,20,000	0.756
3.	45,000	85,000	70,000	0.658
4.	65,000	50,000	50,000	0.572
5.	45,000	35,000	20,000	0.497

Q3. Rearrange the following in vertical form & calculate the following ratios: (15 mrks)

1) Current Ratio 2) Liquid Ratio 3) Stock Working Capital Ratio 4) Debt Equity Ratio

Balance sheet as on 31st March 2014

Liabilities	Rs.	Assets	Rs.
Preference share capital	80,000	Fixed Assets	3,80,000
Equity share capital	3,80,000	Debtors	170,000
Reserve surplus	1,40,000	Stock	1,90,000
Debenture	90,000	Prepaid expenses	40,000
Creditors	1,50,000	Bills receivable	1,00,000
Bank overdraft	40,000		
	8,80,000		8,80,000

OR

Q3. Rearrange the following in vertical form & calculate the following ratios: (15 mrks)

1) GP Ratio 2) NP Ratio 3) Operating Ratio 4) Stock Turnover Ratio

Trading and P&L A\C for the year ended 31.03.2014

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To opening stock	90,000	By sales	8,00,000
To purchases	4,40,000	By closing stock	1,90,000
To wages	2,00,000	By non operating income	24,000
To salaries	80,000		
To office expenses	34,000		

To advertisement	12,000		
To non operating expenses	4,000		
To selling expenses	8,000		
To general expenses	6,000		
To net profit	140,000		
	10,14,000		10,14,000

Q4. A company expects to have Rs. 37,500 cash in hand on 1st April, 2014 and requires you to prepare an estimate of cash position during the three months, April to June, 2014. The following information is supplied to you: (15 mrks)

Months	Sales Rs.	Purchases Rs.	Wages Rs.	Factory Expenses Rs.	Office Expenses Rs.	Selling Expenses Rs.
February	75,000	45,000	9,000	7500	6,000	4,500
March	84,000	48,000	9,750	8,250	6,000	4,500
April	90,000	52,500	10,500	9,000	6,000	5,250
May	1,20,000	60,000	13,500	11,250	6,000	6,570
June	1,35,000	60,000	14,250	14,000	7,000	7,000

Other Information:

1. Period of credit allowed by suppliers – 2 months.
2. 20% of sales is for cash and period of credit allowed to customers for credit sales is one month.
3. Delay in payment of all expenses – 1 month.
4. Income tax of Rs. 57,500 is due to be paid on June 15th, 2014
5. The company is to pay dividends to shareholders and bonus to workers of Rs. 15,000 and Rs. 22,500 respectively in the month of April.
6. Plant has been ordered to be received and paid in May. It will cast Rs. 1,20,000.

OR

Q4. A Ltd. Has furnished the following estimation pertaining to Product "A" at 80% of its normal capacity level for the Quarter ending March 31, 2014. (15 mrks)

Sales	Rs. 6,00,000
Administrative cost	
Office salaries	Rs. 90,000
General expenses	2% of Sales
Depreciation	Rs.7,500
Rate and rates	Rs. 8,750
Selling cost	
Salaries	8% of Sales
Travelling Expenses	2% of Sales
Sales Office Expenses	1% of Sales
General Expenses	1% of Sales
Distribution cost	
Wages	Rs. 15,000
Rent	1% of sales
Other Expenses	4% of Sales

Prepare the budget for the total Administration, Selling and Distribution expenses at 7 and 90% capacity levels.

Q5. A) Explain sources of finance (8 mrks)

B) Qualities of a successful Finance Manager (7 mrks)

OR

Q5. Short notes (any 3) (15 mrks)

1. Objectives of finance management
2. Equity shares
3. Preference shares
4. Budgetary control
5. Benefits of ratio analysis