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Seventh Semester B.E. Degree Examination, Dec.2019/.1an.2020
Financial Management

Time: 3 hrs.

Max. Marks: 80

Note: Answer any FIVE full questions, choosing ON E full question from each module.

Module-1

- I a. Define book keeping. Mention the three types of accounts with examples. (04 Marks)
b. Computer care Ltd. Provides the following transactions. You are required to prepare journal entries and post entries in ledger on August

August 1	Deposited Rs.40,000 in the Company's Bank account in exchange of 4000 shares
2	Paid two months office rent in advance Rs.2200
3	Bought testing equipment on credit Rs.6500
4	Bought office supplies for cash, Rs.480
7	Received fees for services provided Rs.6900
13	Ordered testing equipment Rs.3200
16	Paid assistants salaries for first fortnight Rs.2300
19	Billed customers for service provided Rs.9700
20	Received testing equipment ordered on Aug 13, agreed to pay it on Sept 5
28	Paid telephone bill for the month Rs.390
29	Received cash for services to be provided later Rs.2700
30	Paid assistants salaries for second fortnight Rs.2300

(12 Marks)

OR

- 2 a. Explain in detail forms of organization. (10 Marks)
b. Define the terms: i) Excise duty ii) Central sales tax iii) VAT iv) Service tax
v) Direct tax vi) Indirect tax (06 Marks)

Module-2

- 3 a. Explain the factors influencing the working capital requirement. (06 Marks)
b. From the following data compute the duration of the operating cycle for each of the two years and comment.

Particulars	Years 1 (Rs)	Year 2 (Rs)
Stocks		
Raw Material	20000	27000
Work in progress	14000	18000
Finished goods	21000	24000
Purchase of Raw material	96000	135000
Cost of goods sold	140000	180000
Sales	160000	200000
Debtors	32000	50000
Creditors	16000	18000

Assume 360 days/year for operating cycle.

(10 Marks)

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OR

- 4 a. Explain the need for long term financing. (06 Mar)
 b. Discuss various sources of long-term finance of Indian companies. (10 Marks)

Module_3

- 5 a. Explain the process of capital budgeting in detail. (10 Marks)
 b. Discuss briefly the factors which affects investments decisions. (06 Marks)

OR

- 6 Write a note on: i) Current Asset Management ii) Wealth Management. (16 Marks)

Module_4

- 7 a. What do you mean by risks in financial decision state different types of risks is financial decision. (06 Marks)
 b. The following table gives dividend and share price data for Hind manufacturing company:

Year	Dividend/share	Closing share/price
1994	2.5	12.25
1995	2.5	14.2
1996	2.5	17.5
1997	3	16.75
1998	3	18.45
1999	3.25	22.45
2000	3.5	23.5
2001	3.5	27.75
200 ¹	3.5	25.5
2003	3.75	27.95
2004	3.75	31.30

Determine:

- i) Annual rate of return
 ii) Expected average rate of return
 iii) Variance
 iv) Standard deviation of return

(10 Marks)

OR

- 8 a. From the following information prepare balance sheet of X. Co. Ltd.

- i) Current ratio 2.5:1
 ii) Liquid ratio 1.75:1
 iii) Proprietary ratio 0.8:1 [fixed assets/proprietary funds]
 iv) Working capital Rs 1,20,000
 v) Reserves and surplus Rs 30,000
 vi) Debtors and cash are in the ratio of 3:2
 vii) Creditors and bills payable are in the ratio 4:1
 There was no other current or long term liability.

(10 Marks)

- b. Define the following terms:

- i) Current ratio
 ii) Inventory turnover ratio
 iii) Gross profit ratio
 iv) Debt-equity ratio
 v) Solvency ratio
 vi) Debtors turnover ratio.

(06 Marks)

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9 a. Differentiate between job costing and process costing.

(06 Marks)

b. From the following data prepare a cost sheet and net profit for the given month:

Raw material purchase	66000
Direct wages	52500
Stock of raw materials [1.9.18]	75000
Stock of raw materials [30.9.18]	91500
Stock of finished goods [1.9.18]	54000
Stock of finished goods [30.9.18]	31000
Stock of work in progress [1.9.18]	28000
Stock of work in progress [30.9.18]	35000
Sales	211000
Indirect wages	2750
Factory rent	15000
Depreciation on plant and machinery	3500
Direct expenses	1500
Sundry factory expense	10,000
Salesman salary	6500
Office rent	2500
Sundry Office Expenses	6500
Advertisement	3500
Carriage outwards	2500

(10 Marks)
OR

10 a. Define the term 'Budget' and mention the advantages and disadvantages of budgeting.

(06 Marks)

 b. From the following forecast of income and expenses for half yearly ended with 30th June 2018 prepare cost budget.

Month	Credit sales	Credit purchase	Wages	Manufacturing expenses	Administrative expenses	Sales and distribution expenses
2017 Nov	25000	10000	2500	1100	1000	600
Dec	30000	15000	2800	1200	975	650
2018 Jan	20000	10000	2000	1250	1060	550
Feb	25000	15000	2200	1150	1040	650
Mar	30000	17000	2400	1300	1105	750
April	35000	20000	2600	1350	1120	800
May	40000	22000	2800	1450	1180	825
June	45000	25000	3000	1500	1185	875

- Sales commission of 5% of total sales to be paid in two months
- Plant purchased on 1st Jan for Rs.10000 payment immediately
- New building purchased in Feb for Rs.80000 payable in two half yearly installments [First one is in Feb]
- Dividend of Rs.5000 is paid in April
- Period of credit allowed by debtors and creditors is 2 months.
- Lag in the payment of wages is 11th of month.
- Lag in the payment of expenses is 1 month
- Cash balance on 1 Jan is Rs.37500

(10 Marks)