

# CBCS SCHEME

17ME743



## Seventh Semester B.E. Degree Examination, Feb./Mar. 2022 Financial Management

Time: 3 hrs.

Max. Marks: 100

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

### Module-1

- 1 Journalise the following transactions, post them in the ledger and balance accounts as on 31<sup>st</sup> March 2018. (20 Marks)
1. Ram started business with a capital of Rs 10,000
  2. He purchased goods from Mohan on credit Rs 2,000
  3. He paid cash to Mohan Rs 1,000
  4. He sold goods to Suresh Rs 2,000
  5. He received cash from Suresh Rs 3,000
  6. He further purchased goods from Mohan Rs 2,000
  7. He paid cash to Mohan Rs 1,000
  8. He further sold goods to Suresh Rs 2,000
  9. He received cash from Suresh Rs 1,000

OR

- 2 a. What are the forms of Organisation? Explain. (10 Marks)  
b. Define the following terms in relation to taxation in India : i) Excise duty ii) VAT  
iii) Direct tax iv) Indirect tax v) Service tax. (10 Marks)

### Module-2

- 3 a. Explain the factors influencing the working capital requirements. (08 Marks)  
b. Big Kitchens Company provides the following data of cost – sheet of their Company :
- | Costs (Per unit)      | (in Rs) : |
|-----------------------|-----------|
| Raw materials         | 52.0      |
| Direct labor          | 19.5      |
| Overheads             | 39.0      |
| Total cost (per unit) | 110.5     |
| Profit                | 19.5      |
| Selling price         | 130.0     |

The following additional information is available :

Average raw material in stock : One month , Average materials in process : Half a month ,  
Credit allowed by suppliers : One month , Credit allowed to debtors : Two – Months ,  
Time – lag in payment of wages : One and a half weeks , Overheads : One month ,  
One – fourth of sales are on cash basis , Cash balance expected to be Rs 1,20,000/-.

You are required to prepare a statement showing the working capital needed to Finance a level of activity of 70,000 units of output. You may assume that production is carried on evenly, throughout the year and wages and overheads accrue similarly. (12 Marks)

OR

- 4 a. What are the sources of Long Term Finance? Explain. (12 Marks)  
b. Write short notes on : i) Types of debentures ii) Purpose of Long term Financing. (08 Marks)

**Module-3**

- 5 a. Explain in detail the process of Capital budgeting. (10 Marks)  
 b. Explain the following two Capital budgeting techniques, with their merits and demerits :  
 i) Pay – back period method      ii) Average rate of return method. (10 Marks)

OR

- 6 Explain in detail the following :  
 a. Current Assets Management. (10 Marks)  
 b. Wealth Management. (10 Marks)

**Module-4**

- 7 a. Write short notes on :  
 i) Risk Measurement      ii) Capital Asset Pricing Model (CAPM). (08 Marks)  
 b. The following table gives dividend and share price data for Meta Manufacturing Company. You are required to calculate : i) Annual rates of return      ii) Expected (Average) rate of return      iii) The variance      iv) The standard deviation of returns. (12 Marks)

Year	Dividend per share	Closing share price
2003	2.50	12.25
2004	2.50	14.20
2005	2.50	17.50
2006	3.00	16.75
2007	3.00	18.45
2008	3.25	22.25
2009	3.50	23.50
2010	3.50	27.75
2011	3.50	25.50
2012	3.75	27.95
2013	3.75	31.30

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OR

- 8 a. Define the following : i) Quick ratio      ii) Dividend payout ratio      iii) Proprietary ratio  
 iv) Total assets to debt ratio      v) Trade receivable turnover      vi) Fixed assets turnover  
 vii) Net assets turnover ratio      viii) Gross profit ratio      ix) Operating ratio  
 x) Net profit ratio. (10 Marks)  
 b. Following information is given by a Company from its books of accounts as on March 31, 2019.

	Rs
Inventory	1,00,000
Total current Assets	1,60,000
Shareholder's funds	4,00,000
13% Debentures	3,00,000
Current liabilities	1,00,000
Net profit before Tax	3,51,000
Cost of revenue from Operations	5,00,000

- Calculate : i) Current ratio      ii) Liquid ratio      iii) Debt Equity ratio  
 iv) Interest coverage ratio      v) Inventory turnover ratio. (10 Marks)

**Module-5**

- 9 a. Define Standard Costing. List its merits and demerits. (08 Marks)

- b. Prepare a Cost sheet of the following data relating to the manufacturing of Jeans :  
Number of Jeans manufactured during the month 1,000.

Direct materials consumed	Rs 20,000
Direct labor	Rs 8,000
Indirect labor	Rs 2,500
Supervision costs	Rs 1,000
Factory premises rent	Rs 1,600
Factory lighting	Rs 600
Oil for machines	Rs 100
Depreciation of machines	Rs 500
Office overheads	Rs 8,000
Office salaries	Rs 2,000
Miscellaneous office expenses	Rs 1,000
Selling and distribution overheads	Rs 6,000

Note that a profit margin of 20% on the total cost of 20% on the total cost of goods is expected on the sale of Jeans. (12 Marks)

OR

- 10 a. What are the types of budget on the basis of capacity? Explain briefly. Also list the benefits and limitations of budgeting. (08 Marks)
- b. J.K Sons wish to approach the bankers for temporary overdraft facility for the period from October 2019 to December 2019. During this period of three months, the firm will be manufacturing mostly for stock.  
Prepare a Cash budget for the above period.

Month	Sales (Rs)	Purchase (Rs)	Wages (Rs)
August	3,60,000	2,49,600	24,000
September	3,84,000	2,88,000	28,000
October	2,16,000	4,86,000	22,000
November	3,48,000	4,92,000	20,000
December	2,52,000	5,36,000	30,000

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- i) 50% of credit sales are realized in the month following the sales and remaining 50% in the second following.
- ii) Creditors are paid in the month following the month of purchase.
- iii) Estimated cash as on 1-10-2019 is Rs 50,000. (12 Marks)

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