



BRAINWARE UNIVERSITY

Course – B.Com.

Financial Management and Management Accounting (BCM303)

(Semester – 3)

Time allotted: 3 Hours

Full Marks: 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)

1. Choose the correct alternatives for the following:

10 x 1 = 10

- I. The relation between PVIFA and sinking fund factor is
 - a) Inverse
 - b) Reciprocal
 - c) Proportionate
 - d) Same
- II. MOS is calculated as
 - a) Sales – BES
 - b) BES – Fixed cost
 - c) Total sales – fixed cost
 - d) None of the above
- III. The profit volume ratio is 40% means
 - a) If sale is Rs. 100, contribution is Rs.40.
 - b) If sale is Rs. 100, profit is Rs.40.
 - c) If sale is Rs. 100, fixed cost is Rs.40.
 - d) If sale is Rs. 100, variable cost is Rs.40.
- IV. Which of the following ratio measures the proportion of debt capital in the total capital
 - a) Solvency
 - b) Liquidity
 - c) Profitability
 - d) All of the above
- V. The dividend receive from other company comes under the head of cash flow from
 - a) Financial activity
 - b) Operating activity
 - c) Investment activity
 - d) All of the above

- VI. The DTL = DCL _____ DFL
- Multiplied by
 - Divided by
 - Plus
 - Minus
- VII. The coverage ratio indicates the ability of the firm to pay off
- Financial fixed cost
 - Operating fixed cost
 - Wages and creditors
 - All of the above
- VIII. In EMI calculation, the _____ amount is more in the initial EMIs
- Interest
 - Principal
 - Both
 - None
- IX. The more margin of safety signifies that company is in
- More sound in position
 - More risky position
 - Capital intensive production process
 - All of the above
- X. The real interest rate is more than nominal interest rate if
- Amount is compounded annually
 - More than one time in a year
 - Both of (a) and (b)
 - None of (a) and (b)

Group - B

(Short Answer Type Questions)

Answer any three of the following

3 x 5 = 15

2. Find the amount of an annuity if payment of Rs. 500 is made annually for 7 years at interest rate of 14% compounded annually.

3. The financial ratios of a firm are as follows.

Current ratio	=	1.25
Acid-test ratio	=	1.10
Current liabilities	=	2000
Inventory turnover ratio	=	10

What is the sales (i.e. revenues from operations) of the firm?

4. State the difference between liquidity and solvency?

5. State the significance of cut off rate in capital expenditure decision making?

Group - C
(Long Answer Type Questions)

Answer any three of the following

3 x 15 = 45

6. A company wants to invest in a machinery that would cost Rs.50,000 at the beginning of year 1. It is estimated that the net cash inflows from operations will be Rs.18,000 per annum for 3 years, if the company opts to service a part of the machine at the end of year 1 at Rs.10,000. In such a case, the scrap value at the end of year 3 will be Rs.12,500. However, if the company decides not to service the part, then it will have to be replaced at the end of year 2 at Rs.15,400. But in this case, the machine will work for the 4th year also and get operational cash inflow of Rs. 18,000 for the 4th year. It will have to be scrapped at the end of year 4 at Rs.9,000. Assuming cost of capital at 10% and ignoring taxes, will you recommend the purchase of this machine based on the net present value of its cash flows? If the supplier gives a discount of Rs. 5,000 for purchase, what would be your decision?

(15)

7. Draw the balance sheet and sales data (fill in the blanks) using the following financial data:

Debt/equity ratio = 0.80

Acid-test ratio = 1.1

Total assets turnover ratio = 2

Days' sales outstanding in Accounts receivable = 30 days

Cost of goods sold as a percentage of total revenues = 70 percent

Inventory turnover ratio = 6

Equity capital Rs.80,000

Retained earnings Rs.50,000.

(15)

8. i) A stock earns the following returns over a five year period: $R_1 = 0.30$, $R_2 = -0.20$, $R_3 = -0.12$, $R_4 = 0.38$, $R_5 = 0.42$, $R_6 = 0.36$. Calculate the following: (a) arithmetic mean return, (b) cumulative wealth index, and (c) geometric mean return (d) risk of investing in this security.

ii) State the significance of Beta Value.

10+5=15

9. Write short note on the following

i) Financial Breaking Point.

ii) Significance of cash flow statement as per accounting standard 3.

iii) ROCE Vs. ROE.

5x3=15