ROLL No…………….

NATIONAL COUNCIL FOR HOTEL MANAGEMENT
AND CATERING TECHNOLOGY, NOIDA
ACADEMIC YEAR – 2016-2017

COURSE	:	5th Semester of 3-year B.Sc. in H&HA
SUBJECT	:	Financial Management
TIME ALLOWED	:	03 Hours MAX. MARKS: 100

(Marks allotted to each question are given in brackets)

Q.1. Explain the objectives and functions of financial management.

OR

How is the finance function organised? What are the functions that finance department performs in a large organisation?

(10)

Q.2. Define capital structure. Explain the principles, while forming the capital structure of the organisation.

OR

Define working capital. What factors would you take into consideration in estimating the working capital needs of a budget hotel?

(10)

Q.3. Explain ratio analysis types with the help of a chart and its importance.

OR

Write short notes on:
(a) Over capitalisation
(b) Indifference point
(c) Comparative and common size income statements

(10)

Q.4. Write short notes on:
(i) Payback period
(ii) Cash flow statements
(iii) Average rate of return
(iv) Profit maximisation

(4x2 ½ =10)

Q.5. Balance Sheet of a company as on 31.12.2010 is as follows:

Liabilities	2009	2010	Assets	2009	2010
Share capital	2,00,000/-	2,50,000/-	Fixed assets	3,50,000/-	4,75,000/-
Retained earnings	1,60,000/-	3,00,000/-	Stock	1,00,000/-	95,000/-
Premium on shares	-	5,000/-	Bills receivable	43,000/-	50,000/-
Accumulated depreciation	80,000/-	60,000/-	Pre-paid expenses	4,000/-	5,000/-
Debentures	60,000/-	-	Cash balance	15,800/-	10,200/-
Accounts payable	37,800/-	40,200/-	Commission on shares	25,000/-	20,000/-
TOTAL:	**5,37,000/-**	**6,55,200/-**		**5,37,000/-**	**6,55,200/-**

Additional information:

(i) Net income for the year Rs.1,40,000/-
(ii) Fixed assets purchases was made during the year at a cost of Rs.1,65,000/- and fully depreciated machinery costing Rs.40,000/-
(iii) Depreciation for the year Rs.20,000/-
(iv) Income tax paid was Rs.40,000/-

You are required to prepare:
(a) A statement of schedule of changes in working capital
(b) Sources and application of funds

(15)

Q.6. A project cost Rs.25,000/-. The net profits before depreciation and tax, and tax rate 20% for the five years. Following are the expected cash flows to be:

Year	Project
1	5,000/-
2	6,000/-
3	7,000/-
4	8,000/-
5	10,000/-

You are required to calculate payback period.

(10)

Q.7. From the following information, prepare comparative balance sheet and give your interpretations:

Liabilities	2000 Amount in Rs.	2001 Amount in Rs.	Assets	2000 Amount in Rs.	2001 Amount in Rs.
Share Capital	5,00,000/-	8,00,000/-	Land & Building	4,30,000/-	3,70,000/-
Reserves and surplus	4,30,000/-	2,22,000/-	Plant	3,70,000/-	5,00,000/-
Debentures	1,00,000/-	2,00,000/-	Furniture	25,000/-	30,000/-
Loan	2,50,000/-	3,00,000/-	Other fixed assets	20,000/-	25,000/-
Bills payable	80,000/-	45,000/-	Cash and Bank	25,000/-	90,000/-
Sundry creditors	1,00,000/-	1,10,000/-	Bills receivable	1,45,000/-	80,000/-
Current liabilities	6,000/-	20,000/-	Sundry debtors	2,50,000/-	3,50,000/-
			Stock	2,00,000/-	2,50,000/-
			Pre-paid expenses	1,000/-	2,000/-
TOTAL:	**14,66,000/-**	**16,97,000/-**	**TOTAL:**	**14,66,000/-**	**16,97,000/-**

(10)

Q.8. A company has to choose one of the following two mutually exclusive projects A&B. Project A requires Rs.20,000/- and Project B requires Rs.15,000/- as initial investment. The firms cost of capital is 10%. Suggest which project should be accepted under NPV method. Following are the net cash flows:

Q.8. A company has to choose one of following two mutually exclusive projects A & B. Project A requires Rs.20,000/- and Project B requires Rs.15,000/- as initial investment. The firms cost of capital is 10%. Suggest which project should be accepted under NPV method, the given are net cash flows as follows:

Year	1	2	3	4	5
Project A	4200	4800	7000	8000	4000
Project B	4200	4500	4000	5000	4000

Calculate: net present value

Present value Rs.1/- @ 10% (discount factor) using present value tables

Year 1	Year 2	Year 3	Year 4	Year 5
.909	.826	.751	.683	.621

(10)

Q.9. Tyre manufacturing company has drawn up the following profit and loss account for the year ended:

Calculate:

(a) Gross Profit Ratio

(b) Net Profit Ratio

(c) Operating Ratio
(d) Operating Profit Ratio

Particulars	Rs.	Particulars	Rs.
To opening stock	26,000/-	By Sales	1,60,000/-
To purchases	80,000/-	By Closing Stock	38,000/-
To wages	24,000/-		
To manufacturing expenses	16,000/-		
To gross profit c/d	52,000/-		
	1,98,000/-		**1,98,000/-**
To selling & distribution expenses	4,000/-	By gross profit b/d	52,000/-
To administrative expenses	22,800/-	By commission received	4,800/-
To value of furniture lost by fire	800/-		
To general expenses	1,200/-		
To net profit c/d	28,000/-		
	56,800/-		**56,800/-**

(10)

Q.10. Fill in the blanks:
(a) Expenditure incurred on research is an example of ____________________. (Deferred revenue expenditure/partly capital expenditure.
(b) Capital structure means the pattern of __________ in the firm (capital employed/dividend).
(c) Capital budgeting is related to __________ (sales/capital expenditure).
(d) Quick assets = current assets (minus) __________ (debtors/stock).
(e) Depreciation means reduction in the value of __________ due to usage and efflux of time (current assets/fixed assets).

(5x1=5)

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