

CREDIT BASED FIFTH SEMESTER B.B.M. DEGREE EXAMINATION  
OCTOBER 2012  
**FINANCIAL MANAGEMENT - II**  
**Investment Management**

Time: 3 Hrs

Max. Marks: 120

SECTION - A

Answer any THREE questions.

3X20=60

1. What is listing of securities? Explain the procedure for listing.
2. "SEBI is the watchdog of capital market" - Explain in the context of Role and functions of SEBI.
3. "A study of economic: forces would give an idea about future corporate activities" - Elucidate the statement in the light of economic analysis for the purpose of
4. *secm'))y £W)tt3ti0ll*
5. "Stock exchange provides platform for trading to different players" --- Explain different functionaries on the stock exchange.

SECTION - B

Answer any FIVE questions:

5X10=50

6. What are the different types of options? How are they useful to the
7. investors?
8. What are mutual funds? Who are the different parties to a mutual fund?
9. *WhcU'* Distinguish between
10. *Qt'G the different* methods of public issue? Explain. Distinguish between fundamental and technical analysis. What is the procedure for book building? Explain. What are commercial papers? Analyse their features.

SECTION - C

Answer ALL the questions.

10X1 =

- a) Distinguish between investment and gambling.
- b) What is a futures contract?
- c) Define mutual fund.
- d) What is meant by closed ended mutual fund?
- e) What is the essence of fundamental analysis?
- f) What is a support line in technical analysis?
- g) Mention the 3 movements mentioned in Dow Jones Theory, h) What is a Certificate of Deposit?
- i) Differentiate between commercial bill and treasury bill, j) Expand BOLT.

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SECTION - B

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BBM 504.2

Reg. No. ....

CREDIT BASED FIFTH SEMESTER B.B.M. DEGREE EXAMINATION OCTOBER 2013  
BUSINESS MANAGEMENT  
FINANCIAL MANAGEMENT PAPER - II  
Investment Management

Time: 3 Hrs

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**SECTION – A**

**Answer any Three questions.**

**3X20=60**

1. What are the various forms of investment alternatives available for an investor? Give a detailed account of any five.
2. Explain the powers and functions of the Securities and Exchange Board of India. Mention briefly its role in the modern business world.
3. Describe in detail, the procedure for listing of shares in a stock exchange.
4. Elaborate on the different types of mutual funds classified on the basis of investment objectives. Explain in brief the process of investment.

**SECTION – B**

**Answer any Five of the following:**

**5X10=50**

5. Make a comparison between investment speculation, and gambling.
6. “Primary and Secondary Markets are complementary to each other but their organizational set up are different” – Explain.
7. Describe the various types of speculators in the stock market.
8. Define Derivatives. Explain the terms options and Futures.
9. What is the role of Asset Management Company and custodian in a Mutual Fund Business?
10. As a Financial consultant, how would you evaluate Technical analysis as a tool of security analysis?

**SECTION - C**

11. **Answer all the following:**

**10X1=10**

- a) What is business risk?
- b) What is an option?
- c) State the objectives of OTCEI.
- d) What is meant by short sales?
- e) What is Fundamental Analysis?
- f) Who is a sponsor in a Mutual fund business?
- g) Give the difference between an American Option and a European option.
- h) What is Odd Lot Trading?
- i) What is SENSEX?
- j) What are commercial papers?

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**BBM 504.3**

**Reg. No. ....**

**CREDIT BASED FIFTH SEMESTER B.B.M. DEGREE EXAMINATION OCTOBER 2013  
BUSINESS MANAGEMENT  
FINANCIAL MANAGEMENT PAPER - I  
Management Accounting**

## SECTION – A

Answer any Three of the following:

3X20=60

1. From the following particulars prepare the Balance Sheet of Acquatech Ltd., as on 31<sup>st</sup> December 2012.  
 Current Ratio – 2  
 Working Capital – `4,00,000  
 Capital Block [Net worth + Debenture] to current assets 3:2  
 Fixed Assets Turnover (sales) Ratio 1:3  
 Cash Sales to Credit Sales 1:2  
 Creditors' velocity – 2 months; Debtors Velocity – 3 months  
 Stock Velocity – 2 months; Net Profit to turnover 10%  
 Reserve to turnover 2.5%; Debenture to share capital 1:2  
 Gross Profit Ratio 25%
2. From the following data prepare Cash Flow Statement as per AS3.  
 Balance Sheets as on 31<sup>st</sup> December

| Liabilities           | 2011(`)  | 2012 (`) | Assets           | 2011(`)  | 2012 (`) |
|-----------------------|----------|----------|------------------|----------|----------|
| Share Capital:        |          |          | Goodwill         | 1,15,000 | 90,000   |
| Equity                | 3,00,000 | 4,00,000 | Land & Building  | 2,00,000 | 1,70,000 |
| Preference            | 1,50,000 | 1,00,000 | Plant            | 80,000   | 2,00,000 |
| General Reserve       | 40,000   | 70,000   | Debtors          | 1,60,000 | 2,00,000 |
| Profit & Loss Account | 30,000   | 48,000   | Stock            | 77,000   | 1,09,000 |
| Proposed Dividend     | 42,000   | 50,000   | Bills receivable | 20,000   | 30,000   |
| Creditors             | 55,000   | 83,000   | Cash in hand     | 15,000   | 10,000   |
| Bills Payable         | 20,000   | 16,000   | Cash at bank     | 10,000   | 8,000    |
| Provision for tax     | 40,000   | 50,000   |                  |          |          |
|                       | 6,77,000 | 8,17,000 |                  | 6,77,000 | 8,17,000 |

Additional information:

- i) Depreciation charged in 2012 plant `10,000, Land & Building `20,000  
 ii) Interim dividend paid in 2012 `20,000  
 iii) Income tax paid in the year 2012 `35,000
3. On April 1<sup>st</sup> of the current year, the Board of Directors of Dornell Ltd., wishes to know the amount of working capital that will be required to meet the programme of activity they have planned for the year. The following information is available.
- i) Issued & paid up capital `2,00,000  
 ii) 5% Debentures (secured on Assets) `50,000  
 iii) Fixed Assets valued at `1,25,000 on March 31<sup>st</sup> of previous year.  
 iv) Production during the previous year was 60,000 units; it is planned that this level of activity should be maintained during the present year.  
 v) The expected ratios of cost to selling price are Raw Materials – 60%, direct wages–10%, overheads – 20%.  
 vi) Raw materials are expected to remain in store for an average of two months before these are issued for production.  
 vii) Each unit of production is expected to be in process for one month. Full unit of raw materials is required in the beginning of production.  
 viii) Finished goods will stay in warehouse for approximately three months.  
 ix) Creditors allow credit for 2 months from the date of delivery of raw materials  
 x) Credit allowed to debtors in 3 months from the date of dispatch.  
 xi) Selling price per unit is `5  
 xii) There is a regular production and sales cycle.
- Prepare: a) Working capital requirement for cost  
 b) An estimated Profit and Loss A/c and Balance Sheet at the end of

the year.

4. Explain in detail the various decision areas in Receivables Management.

**SECTION – B**

**Answer any Five of the following:**

**5X10=50**

5. The following is the Balance Sheet of Neptune Ltd., as on 31.12.2012.

| Liabilities           | (`)       | Assets               | (`)       |
|-----------------------|-----------|----------------------|-----------|
| Share Capital:        |           | Land & Building      | 4,12,500  |
| Shares of `10 each    | 7,50,000  | Plant & Machinery    | 4,87,500  |
| General Reserve       | 1,50,000  | Trade Marks          | 75,000    |
| Taxation Reserve      | 2,25,000  | Stock                | 1,80,000  |
| Workmen's Savings A/c | 1,12,500  | Debtors              | 3,30,000  |
| Profit & Loss A/c     | 1,20,000  | Cash at Bank         | 1,95,000  |
| Sundry creditors      | 3,67,500  | Preliminary Expenses | 45,000    |
|                       | 17,25,000 |                      | 17,25,000 |

The Plant & Machinery is worth `4,50,000 and Land & Building have been valued at `9,00,000 by an independent valuer. `30,000 of the debtors are bad. The profits of the company have been as follows: 2010 – `3,00,000; 2011 – `3,37,500; 2012 – `3,97,500.

It is the company practice to transfer 25% of the profits to Reserve. Ignoring taxation, find out the value of the shares by

- Net Assets Method
- Yield Method assuming that similar companies give an yield of 10% on the market value of shares.

6. Explain any 5 determinants of working capital requirements of a firm.
7. Explain the Basic Strategies in Cash Management.
8. Explain in detail the concept of operating cycle and its relevance in Working Capital Management.
9. Mr. Agarwal who desires to invest `33,000 in equity shares in a Public Ltd. Company seeks your advice as to the fair value of the shares. The following information is made available.

|                                    |                  |
|------------------------------------|------------------|
| Paid up Share Capital:-            | Amount (`)       |
| 14% Preference Shares of `100 each | 5,50,000         |
| Equity Shares of `100 each         | <u>8,50,000</u>  |
|                                    | <u>14,00,000</u> |

Average Net profit of Business is `3,00,000. Expected Normal yield is 20% in case of such equity shares. It is observed that the net tangible assets on revaluation are worth `1,00,000 more than the amount at which they are stated in the books. Goodwill is to be valued at 3 years purchase of the super profits if any.

Compute the fair value of the equity shares and determine the number of shares which Mr. Agarwal should purchase. (Ignore taxation)

10. From the following Balance Sheets of MNC Ltd as on 31<sup>st</sup> December 2011 and 2012, prepare a) schedule of changes in working capital  
b) Statement showing Fund Flow from Operations.

| Liabilities       | 2011(`)  | 2012 (`) | Assets            | 2011(`)  | 2012 (`) |
|-------------------|----------|----------|-------------------|----------|----------|
| Share capital     | 6,00,000 | 6,00,000 | Goodwill          | 72,000   | 72,000   |
| Reserve           | 84,000   | 1,08,000 | Land & Building   | 2,40,000 | 2,16,000 |
| Profit & Loss A/c | 96,000   | 78,000   | Plant             | 2,22,000 | 2,16,000 |
| Creditors         | 48,000   | 32,400   | Investments Stock | 60,000   | 66,000   |

|                         |          |          |                  |          |          |
|-------------------------|----------|----------|------------------|----------|----------|
| Bills Payable           | 7,200    | 4,800    | Bills receivable | 1,80,000 | 1,40,400 |
| Provision for tax       | 96,000   | 1,08,000 | Debtors          | 12,000   | 19,200   |
| Provision for bad debts | 2,400    | 3,600    | Cash at bank     | 1,08,000 | 1,14,000 |
|                         |          |          |                  | 39,600   | 91,200   |
|                         | 9,33,600 | 9,34,800 |                  | 9,33,600 | 9,34,800 |

Additional information

- i) Depreciation provided on Plant `24,000, Land & Building `24,000
- ii) Provision for tax made during the year 2012 `1,14,000
- iii) Interim dividend paid during the year 2012 `48,000

**SECTION - C**

11. **Answer all the following:**

**10X1=10**

- a) What is Management Accounting?
- b) State the basic premise for valuation of shares under Net Assets Method.
- c) What is valuation of share based on productivity?
- d) Define Capital Gearing Ratio.
- e) How do you calculate Price Earning Ratio?
- f) What is negative Working Capital?
- g) Mention any two limitations of Ratio Analysis.
- h) What is delinquency cost?
- i) What is ABC analysis?
- j) What is concentration banking?

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**CREDIT BASED FIFTH SEMESTER B.B.M. DEGREE EXAMINATION OCTOBER 2014**

**BUSINESS MANAGEMENT**

**FINANCIAL MANAGEMENT PAPER - II**

**INVESTMENT MANAGEMENT**

**Time: 3 Hrs**

**Max. Marks: 120**

**SECTION – A**

**Answer any Three questions.**

**3X20=60**

- 1. What are Corporate Securities? Explain the different types of corporate securities with their features.
- 2. Explain the different methods of new issue.
- 3. Narrate in detail the characteristics, role and functions of modern Stock Exchange.
- 4. Describe in detail the procedure for listing of shares in a Stock Exchange.

**SECTION – B**

**Answer any Five of the following:**

**5X10=50**

5. “No Investment is risk free”. In the view of the above statement, give the meaning and the types of risks involved in investment.
6. Enumerate the role of the intermediaries in the Stock Exchange.
7. Define Derivatives. Give a brief account of types of options.
8. What is a Future Contract? State its uses.
9. What is the role of the Asset Management Company and Custodian in a Mutual Fund Business?
10. Differentiate Fundamental and Technical analysis.

**SECTION - C**

11. **Answer all the following:**

**10X1=10**

- a) What is gambling?
- b) State any two benefits of commercial papers to investors.
- c) What do you mean by financial risk?
- d) What do you mean by Mutual Fund?
- e) State the objectives of OTCEI.
- f) Write any two differences between Investment and speculation.
- g) What is meant by Rigging in the Stock Exchange?
- h) What is a New Issue Market?
- i) Give the meaning of a Certificate of Deposit.
- j) Expand SEBI.

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**BBM 504.3**

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**CREDIT BASED FIFTH SEMESTER B.B.M. DEGREE EXAMINATION OCTOBER 2014**

**BUSINESS MANAGEMENT**

**FINANCIAL MANAGEMENT PAPER - I  
MANAGEMENT ACCOUNTING**

**Time: 3 Hrs**

**Max. Marks: 120**

**SECTION – A**

**Answer any Three of the following:**

**3X20=60**

1. From the following information prepare statement of working capital requirement for 2 years. At production of 36000 units, the unit cost structure is as follows:

|           | Cost per unit |
|-----------|---------------|
| Materials | <u>60</u>     |



|  |            |
|--|------------|
| Labour                                   | 30         |
| Variable manufacturing expenses          | 20         |
| Fixed manufacturing expenses             | 10         |
| Fixed selling & distribution expenses    | 5          |
| Variable selling & distribution expenses | 15         |
| Total cost                               | <u>140</u> |
| Profit                                   | 20         |
| Selling price                            | <u>160</u> |

In the coming 2 years, production & sales are as follows:

| <u>Year</u> | <u>Production (Units)</u> | <u>Sales (Units)</u> |
|-------------|---------------------------|----------------------|
| I           | 25,000 Units              | 20,000               |
| II          | 30,000 Units              | 32,000               |

Additional Information:

- i) Stock of raw materials 3 months average consumption
- ii) WIP Nil
- iii) Average conversion period 2 months
- iv) Average payment period 2 months
- v) Lag in payment of all expenses 1 month
- vi) Minimum desired cash balance ` 75000

2. Prepare the cash budget from January for a period of 6 months.

| <b>Month</b> | <b>Sales ( ` )</b> | <b>Wage &amp; Salary ( ` )</b> | <b>Miscellaneous Expenses ( ` )</b> |
|--------------|--------------------|--------------------------------|-------------------------------------|
| November     | 200000             | 30000                          | 27000                               |
| December     | 220000             | 30000                          | 27000                               |
| January      | 120000             | 24000                          | 21000                               |
| February     | 100000             | 24000                          | 30000                               |
| March        | 150000             | 24000                          | 24000                               |
| April        | 240000             | 30000                          | 27000                               |
| May          | 200000             | 27000                          | 27000                               |
| June         | 200000             | 27000                          | 27000                               |

- iv) 20% of sales are on cash and balance on credit
- v) The firm has gross margin of 25% sales.
- vi) 50% of credit sales are collected in the month, following the sales and 30% in the 2<sup>nd</sup> month and 20% in the 3<sup>rd</sup> month.
- vii) Purchases amount to 75% of sales of each month. All purchases are made 2 months in advance and the creditors allowed 1 month credit.
- viii) The time lag in payment of wages and salary is  $\frac{3}{4}$  of a month.
- ix) Miscellaneous expenses 1 month
- x) Debentures worth ` 40000 were sold in January.
- xi) The firm maintains a minimum balance of ` 40000. Funds can be borrowed at the rate of 12% per annum in multiples of ` 1000, the interest being payable on monthly basis.
- xii) Cash balance at the end of December ` 60000.

3. The Profit and Loss Account and Balance Sheet of XYZ Co. for the year ended 31.3.2013 are given below. Compute solvency ratios, liquidity ratios and profitability ratios and comment on the results.

Profit & Loss Account for the year ended 31-3-2013

|                          |                |                 |                 |
|--------------------------|----------------|-----------------|-----------------|
| To Opening Stock         | ( ` )<br>90000 | By sales        | ( ` )<br>900000 |
| ” Purchases              | 560000         | ” Closing Stock | 90000           |
| ” Wages                  | 214000         |                 |                 |
| ” Gross Profit           | 126000         |                 |                 |
|                          | <b>990000</b>  |                 | <b>990000</b>   |
| To Salaries              | 16000          | By Gross Profit | 126000          |
| ” Electricity            | 10000          |                 |                 |
| ” Miscellaneous expenses | 10000          |                 |                 |

|                |               |               |
|----------------|---------------|---------------|
| ” Depreciation | 30000         |               |
| ” Net Profit   | 60000         |               |
|                | <b>126000</b> | <b>126000</b> |

Balance Sheet as on 31-3-2013

| <b>Liabilities</b>   | <b>(₹)</b>    | <b>Assets</b>    | <b>(₹)</b>    |
|----------------------|---------------|------------------|---------------|
| Equity share capital | 180000        | Fixed Assets     | 540000        |
| Reserves             | 120000        | (-) Depreciation | 150000        |
| Secured loans        | 210000        | Stock            | 90000         |
| Creditors            | 90000         | Debtors          | 105000        |
|                      |               | Cash             | 15000         |
|                      | <u>600000</u> |                  | <u>600000</u> |

4. The following shows the balances condensed form of Pavithra Ltd. at the beginning and end of the year 2013.

| <b>Liabilities</b>        | <b>1.1.2013</b> | <b>31.12.13</b> | <b>Assets</b>        | <b>1.1.13</b> | <b>31.12.13</b> |
|---------------------------|-----------------|-----------------|----------------------|---------------|-----------------|
| Creditors                 | 52000           | 47500           | Cash & Bank Balances |               |                 |
| Outstanding expenses      | 6000            | 6500            | Debtors              | 45000         | 45000           |
| 10% Debentures            | 45000           | 35000           | Investments          | 38500         | 26500           |
| Depreciation Fund         | 20000           | 22000           | Prepaid expenses     | 50000         | 32000           |
| Reserve for contingencies | 30000           | 30000           | Stock-in trade       | 500           | 1000            |
| Profit & Loss A/c         | 8000            | 11500           | Land & Buildings     | 41000         | 53000           |
| Share Capital             | 115000          | 115000          | Machinery            | 77000         | 77000           |
|                           |                 |                 |                      | <u>24000</u>  | <u>33000</u>    |
|                           | <u>276000</u>   | <u>267500</u>   |                      | <u>276000</u> | <u>267500</u>   |

The following information is also available

- 10% dividend was paid in cash.
- New machinery for ₹15000 was purchased but old machinery costing ₹6000 was sold for ₹2000 on which accumulated depreciation was ₹3000.
- ₹10000 8% debentures were redeemed by purchase from open market at ₹96 for a debenture of ₹100.
- Investments were sold at book value.

Prepare cash flow statement.

### SECTION – B

**Answer any Five of the following:**

**5X10=50**

5. Super Sports Company currently has an annual sales ₹50,00,000 and currently average collection period is 30 days. The following information is available – variable cost 80% and sales & fixed cost is ₹6,00,000 ROI-20%.

The company has following plans

| <u>Plan</u> | <u>Average collection Period (days)</u> | <u>Sales (₹)</u> |
|-------------|---|------------------|
| A           | 45                                      | 5600000          |
| B           | 60                                      | 6000000          |
| C           | 75                                      | 6200000          |
| D           | 90                                      | 6300000          |

Give your suggestion to the company.

6. XYZ Ltd. furnishes the following particulars, from which you are required to estimate working capital requirement by using operating cycle method.

a) Average Inventory:

|                |        |
|----------------|--------|
| Raw materials  | 400000 |
| W.I.P.         | 600000 |
| Finished goods | 800000 |

b) Particulars of daily operations:

|                       |        |
|-----------------------|--------|
| Raw material consumed | 40000  |
| Cost of production    | 100000 |
| Cost of goods sold    | 160000 |



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BBM 504.2

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**BUSINESS MANAGEMENT**  
**FINANCIAL MANAGEMENT – II**  
**Investment Management**

Time: 3 Hrs.

Max. Marks: 12

**SECTION – A**

**Answer any Three questions:**

**3×20=60**

1. What are the benefits of listing for a company? Explain the listing procedure for new companies.
2. “Stock exchanges are the barometers of the economy” – Explain in the context of role and functions of the stock exchanges.
3. What are various factors to be analysed while conducting company industry and analysis for the purpose of security evaluation?
4. Explain the different types of corporate securities.

**SECTION – B**

**Answer any Five questions:**

**5×10=50**

5. Write a note on Derivatives.
6. What are SEBI guidelines for the organization and management of mutual funds?
7. What are the characteristics of New Issue Market? How is it different from secondary a market?
8. What are the facts of Dow Jones Theory in the context of technical analysis?
9. Briefly explain the types of risk.
10. Explain the different types of deposits.

**SECTION - C**

11. **Answer all the questions:**

**10×1=10**

- a) Distinguish between investment and speculation.
- b) What are options?
- c) State two features of an Asset Management Company.
- d) What do you mean by open ended mutual funds?
- e) What is the essence of technical analysis?
- f) What is a portfolio?
- g) What is a resistance line?
- h) Give the meaning of Book Building.
- i) Write any two characteristics of government securities.
- j) Expand SENSEX.

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BBM 504.3

Reg. No. ....

**CREDIT BASED FIFTH SEMESTER B.B.M. DEGREE EXAMINATION OCTOBER 2015**  
**BUSINESS MANAGEMENT**  
**FINANCIAL MANAGEMENT – I**  
**Management Accounting**

**Time: 3 Hrs.**

**Max. Marks: 12**

**SECTION – A**

**Answer any Three questions:**

**3×20=60**

- From the following particulars, prepare balance sheet.  
 Capital turnover 2  
 Fixed assets turnover ratio 4  
 Gross profit turnover ratio 20%  
 Stock velocity 5 times  
 Debtors velocity 3 months  
 Creditors velocity 2 ½ months  
 Gross profit `50,000  
 Reserves `15,000  
 Closing stock was `5000 less than the opening stock
- The Summarised Balance Sheets of Fortunex Ltd. are given below. Prepare cash flow statement as per AS3.

| Liabilities       | 2012(₹)   | 2013(₹)     |                   | 2012(₹)   | 2013(₹)     |
|-------------------|-----------|-------------|-------------------|-----------|-------------|
| Equity capital    | 60,00,000 | 60,00,000   | Land & building   | 14,20,000 | 17,50,000   |
| General reserve   | 30,90,000 | 34,10,000   | Plant & machinery | 31,00,000 | 37,50,000   |
| Profit & loan A/c | 1,50,000  | 1,80,000    | Furniture         | 8,40,000  | 9,80,000    |
| 16% debentures    | ---       | 15,00,000   | Investments       | 50,000    | 60,000      |
| Creditors         | 3,10,000  | 3,70,000    | Stock             | 3,40,000  | 4,20,000    |
|                   |           |             | Debtors           | 30,00,000 | 36,00,000   |
|                   |           |             | Cash & bank       | 80,00,000 | 90,00,000   |
|                   | 95,50,000 | 1,14,60,000 |                   | 95,50,000 | 1,14,60,000 |

Additional information:-

- Dividend of `1,80,000 was paid during 2013.
  - Investment costing `10,000 was sold for `12,000
  - Depreciation on assets land & building `42,000, Plant & machinery `4,74,000, Furniture `1,84,000
  - Sale of Fixed Assets Machinery sold for `1,00,000 (Book Value `2,20,000); Furniture sold for `30,000 (Book value `20,000)
- The following results are expected by XYZ Ltd by quarters next year.

|  | In thousands quarter |        |        |        |
|--|----------------------|--------|--------|--------|
|  | 1                    | 2      | 3      | 4      |
| Sales                                  | 7,500                | 10,500 | 18,000 | 10,500 |
| Cash payments:                         |                      |        |        |        |
| Production costs                       | 7,000                | 10,000 | 8,000  | 8,500  |
| Selling, administrative & other costs  | 1,000                | 2,000  | 2,900  | 1,600  |
| Purchase of plant & other fixed assets | 100                  | 1,100  | 2,100  | 2,100  |

The debtors at the end of a quarter are one third of sales for the quarter. The opening balance of debtors is 30,00,000. Cash on hand at the beginning of the year is 6,50,000 and the desired minimum balance is 5,00,000. Borrowings are made at the beginning of the quarter in which the need will occur in multiples of 10,000 and are repaid at the end of quarter. Interest charges may be ignored. You are required to prepare:-

- A cash budget by quarters for the year
  - State the amount of loan outstanding at the end of the year.
- Explain the various factors that determine the working capital needs of the firm.

**SECTION – B**

**Answer any Five questions:**

**5×10=50**

5. On 31<sup>st</sup> March 2013 the balance sheet of Aman Ltd was as under.

| Liabilities                   |          |                    |          |
|-------------------------------|----------|--------------------|----------|
| Share capital:                |          | Goodwill           | 40,000   |
| Shares of `10 each fully paid | 4,00,000 | Other Fixed Assets | 5,00,000 |
| General Reserve               | 1,90,000 | Current Assets     | 4,00,000 |
| Profit & Loss Account         | 1,20,000 |                    |          |
| 14% Debentures                | 1,00,000 |                    |          |
| Current liabilities           | 1,30,000 |                    |          |
|                               | 9,40,000 |                    | 9,40,000 |

On the above date the tangible fixed assets were independently valued at `3,50,000 and goodwill at `50,000. The net profits for the previous three years were `1,03,200; `1,04,000; and `1,03,300 of which 20% was placed to general reserve. The fair return on investment in the industry in which this company is engaged may be taken at 18%. Compute the value of the company shares by a) The Net Assets Method b) The Yield Method.

6. Explain the detail the various dimensions of credit policy of a firm.
7. What are the various motives for holding cash?
8. Explain the scope and importance of management accounting.
9. What are the various objectives of Investment Management?
10. On 31<sup>st</sup> December 2012, the Balance Sheet of Ramsons Ltd was as follows:

| Liabilities             |          |           |          |
|-------------------------|----------|-----------|----------|
| Share capital:          |          | Building  | 2,20,000 |
| Shares of `100 each     | 5,00,000 | Machinery | 95,000   |
| Profit & Loss A/c       | 1,03,000 | Stock     | 3,50,000 |
| Bank Overdraft          | 20,000   | Debtors   | 1,55,000 |
| Creditors               | 77,000   |           |          |
| Provisions for taxation | 45,000   |           |          |
| Proposed dividend       | 75,000   |           |          |
|                         | 8,20,000 |           | 8,20,000 |

The net profits of the company for the last 5 years were as under.

|         |         |        |        |          |        |
|---------|---------|--------|--------|----------|--------|
| Year:   | 2008    | 2009   | 2010   | 2011     | 2012   |
| Profit: | `85,000 | 19,600 | 90,000 | 1,00,000 | 95,000 |

On 31<sup>st</sup> December 2012, Building were valued at `2,50,000 and Machinery `1,50,000. Reasonable return on tangible capital is 10%. Prepare a valuation of the company's shares after taking into account the revised values of fixed assets and valuation of goodwill based on five years purchases of the super profits based on the average profits of the last five years.

**SECTION - C**

11. **Answer all the questions:**

**10×1=10**

- What are super profits?
- What is gross working capital?
- What are cash flows from operation?
- State the basic assumption for valuation shares under net assets method.
- Define fixed charges cover Ratio.
- What is lock box system?
- What is EOQ?
- What is collection policy?
- Define operating cycle.
- Mention two demerits of ratio analysis.

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Following additional information has also been supplied to you:

- Dividends amounting to ₹3,500 were paid during the year.
  - Land was purchased for ₹10,000
  - ₹5,000 were written off goodwill during the year
  - Bonds of ₹6,000 were paid during the course of the year
- You are required to prepare a cash flow statement

4. The following information are available.

- Sales forecast:  

|                     |                   |                    |                    |
|---------------------|-------------------|--------------------|--------------------|
| May: 75,000         | June: 75,000      | July: 1,50,000     | August: 2,25,000   |
| September: 3,00,000 | October: 1,50,000 | November: 1,50,000 | December: 1,50,000 |
| January: 75,000     |                   |                    |                    |
- Raw-materials:  

|                     |                 |                  |                  |
|---------------------|-----------------|------------------|------------------|
| May: 37,000         | June: 37,500    | July: 52,500     | August: 3,67,500 |
| September: 1,27,500 | October: 97,500 | November: 67,500 | December: 37,500 |
- Collection estimates within the month of sale 5% during the following sales 80%. During the 2<sup>nd</sup> month following sale 15%.
- Payment for raw-materials during the month following the month in which purchases taken place
- Miscellaneous
  - General administrative salary ₹11,250 per month
  - Monthly lease payments ₹3,750
  - Monthly depreciation charges ₹15,000
  - Monthly miscellaneous expenses ₹1,150
  - Income tax ₹26,250 each in September and December.
  - Payment for research ₹15,000 in October
  - Opening balance of cash in July ₹10,000
  - Minimum cash balance of ₹37,500 throughout cash budget period

Prepare a monthly cash budget for six months July to December.

#### SECTION – B

Answer any Five of the following:

5×10=50

- Anderson Steels Ltd., has the practice of estimating its working capital requirements on the basis of operating cycle. It furnishes the following details.  
 Period covered : 365 days  
 Average creditors : ₹60,000  
 Average debtors: ₹4,50,000  
 Raw-materials consumed: ₹36,50,000  
 (purchased on credit)  
 Cost of production: ₹1,09,50,000  
 Cost of sales: ₹1,46,00,000  
 Sales (credit): ₹1,82,50,000  
 Average inventory in value terms  
 Raw-materials: ₹2,20,000  
 Work-in-progress: ₹8,10,000  
 Finished goods: ₹8,40,000  
 Calculate:
  - Gross operating cycle
  - Net operating cycle
  - Working capital required by the firm

6. The following is the balance sheet of Sunlight Ltd., as at 31-12-2007.

| Liabilities               | ₹        | Assets  | ₹        |
|---------------------------|----------|---|----------|
| 20,000 shares of ₹10 each | 2,00,000 | Land & Buildings<br>(market value ₹1,50,000)  | 75,000   |
| General Reserve           | 50,000   | Plant & Machinery<br>(Market value ₹1,00,000) | 80,000   |
| Creditors                 | 50,000   | Trade Marks<br>(Market Value ₹8,000)          | 10,000   |
| Workmen's Savings Account | 50,000   | Stock   | 1,00,000 |
| Profit & Loss A/c         | 25,000   | Debtors                                       | 54,000   |
|                           |          | Investments                                   | 20,000   |
|                           |          | Cash at Bank                                  | 20,000   |
|                           |          | Preliminary Expenses                          | 16,000   |
|                           | 3,75,000 |   | 3,75,000 |

Find out the intrinsic value of each share after taking into account the following facts.

- Interest payable to creditors ₹1,000  
 Bad debts ₹2,000  
 Investments ₹16,000

7. The balance sheet of 'X' Ltd as on 31<sup>st</sup> March 2008 is as follows:

| Liabilities  | ₹        | Assets                      | ₹        |
|--|----------|-----------------------------|----------|
| 8% 5,000 preference shares of ₹10 each                 | 50,000   | Goodwill                    | 10,000   |
| 10,000 equity shares of ₹10 each                       | 1,00,000 | Fixed Assets                | 1,80,000 |
| Reserves (including provision for<br>taxation ₹10,000) | 1,00,000 | Investments (5% govt. loan) | 20,000   |
| 8% debentures  | 50,000   | Current Assets              | 1,00,000 |
| Creditors  | 25,000   | Preliminary Expenses        | 10,000   |
|  | 3,25,000 | Discount on Debentures      | 5,000    |
|  |          |                             | 3,25,000 |

The average profit of the company (after deducting interest on debentures and taxes) is ₹31,000. The market value of the machinery included in fixed assets is ₹5,000 more.

Expected rate of return is 10%

Evaluate the goodwill of the company at five times the super profits.

- Explain the motives for holding cash.
- Explain the scope and need of management accounting.
- Explain the factors that determine the size of working capital of a firm.

#### SECTION - C

11. Answer all the questions:

10×1=10

- Define management accounting.
- State any two limitations of management accounting.
- State any two limitations of ratio analysis.
- Give the meaning of "Flow of fund".
- What is temporary working capital?
- State the motives of holding cash.
- What is operating cycle?
- What are quick liabilities?
- State the objectives of cash management.
- What is meant by intrinsic value of a share?

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## CREDIT BASED FIFTH SEMESTER B.B.M. DEGREE EXAMINATION OCTOBER 2016

**BUSINESS MANAGEMENT**  
**FINANCIAL MANAGEMENT – I**  
**MANAGEMENT ACCOUNTING**

Time: 3 Hrs.

Max. Marks: 120

## SECTION – A

Answer any Three of the following:

3×20=60

1. You are supplied with the following information in respect of Bright India Ltd., for the year 2016.

|                             |                      |
|-----------------------------|----------------------|
| Production for the year     | 69,000 units         |
| Finished goods in stock     | 3 month              |
| Raw materials in stores     | 2 months             |
| Production process          | 1 month              |
| Credit allowed by creditors | 2 months             |
| Credit given to debtors     | 3 months             |
| Selling price per unit      | ₹50                  |
| Raw materials               | 50% of selling price |
| Direct wages                | 10% of selling price |
| Overheads                   | 20% of selling price |

There is a regular production and sales cycle. Wages & overheads accrue evenly wages are paid in the next month of accrual. Materials are introduced at the beginning of the production cycle.

You are required to calculate the working capital requirements.

2. From the following particulars, draw up the balance sheet of the company.

Current Ratio: 2.5  
 Quick Ratio: 1.5  
 Net Working Capital: ₹30,000  
 Stock Turnover Ratio: 6 times (cost of sales/closing stock)  
 Gross profit ratio: 20%  
 Fixed Assets turnover ratio: 2 times  
 (on cost of sales)  
 Debtors Turnover Ratio: 2 months  
 Fixed Assets to share holders net worth: 0.8  
 Reserve and surplus to capital: 0.50  
 Long term loans: ₹15,000

3. Following are the Balance Sheet of 'X' Ltd., as on 31<sup>st</sup> December.

| Liabilities                  | 2008     | 2009     | Assets             | 2008     | 2009     |
|------------------------------|----------|----------|--------------------|----------|----------|
| Share capital                | 70,000   | 74,000   | Cash at Bank       | 9,000    | 7,800    |
| Bonds                        | 12,000   | 6,000    | Account receivable | 14,900   | 17,700   |
| Account payable              | 10,360   | 11,840   | Inventories        | 49,200   | 42,700   |
| Provision for doubtful debts | 700      | 800      | Land               | 20,000   | 30,000   |
| Reserves and surplus         | 10,040   | 10,560   | goodwill           | 10,000   | 5,000    |
|                              | 1,03,100 | 1,03,200 |                    | 1,03,100 | 1,03,200 |

**CREDIT BASED FIFTH SEMESTER B.B.M. DEGREE EXAMINATION****OCTOBER – 2016****BUSINESS MANAGEMENT  
FINANCIAL MANAGEMENT – II  
INVESTMENT MANAGEMENT****Time: 3 Hrs.****Max. Marks: 120****SECTION – A****Answer any Three questions:****3×20=60**

1. What are corporate securities? Explain the different kinds of Corporate Securities with their features.
2. Define financial market? How secondary market contributes in the development of the Indian economy?
3. Explain role and functions of SEBI.
4. What are Mutual Funds? Explain the merits and demerits of investing in mutual fund.

**SECTION – B****Answer any Five questions:****5×10=50**

5. Explain the objectives of investment.
6. Who can become a member of Stock Exchange?
7. Write a note on CRISIL.
8. Explain the various types of deposits.
9. Explain the terms options and futures.
10. Briefly explain the types of risk.

**SECTION – C****11. Answer all the questions:****10×1=10**

- a. Define 'Investment'.
- b. State any two differences between 'Primary Market' and 'Secondary Market'.
- c. What is put option?
- d. What is meant by 'Money Market'?
- e. Expand SENSEX.
- f. What is financial risk?
- g. What is Demat Account?
- h. What is 'Credit Rating'?
- i. What is an open-ended scheme of mutual fund?
- j. What are treasury bills?

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