

GURU NANAK INSTITUTE OF TECHNOLOGY
An Autonomous Institute under MAKAUT
2020-2021
INDUSTRIAL & FINANCIAL MANAGEMENT
HU505

TIME ALLOTTED: 3 Hours

FULL MARKS: 70

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable

GROUP – A

(Multiple Choice Type Questions)

Answer any **ten** from the following, choosing the correct alternative of each question: **10×1=10**

| | | Marks | CO No. |
|----|--|--------------|---------------|
| 1. | i) Which of these methods DOES NOT follow Time Value of Money principle? a) NPV b) ARR c) IRR d) PI | 1 | CO5 |
| | ii) At Break-Even Point a) Revenue > Cost b) Revenue < Cost c) Revenue = Cost d) No relation between revenue & cost | 1 | CO2 |
| | iii) Inflation makes a) Future rupees less valuable than present rupees b) Future rupees more valuable than present rupees c) Future rupees equal to present rupees d) None of these | 1 | CO5 |
| | iv) Which of these is NOT a major function of financial management? a) Investment decisions b) Dividend decisions c) Financial decisions d) Manpower decisions | 1 | CO3 |
| | v) Direct Materials is a a) Fixed cost b) Variable cost c) Semi-fixed cost d) Opportunity cost | 1 | CO1,4 |
| | vi) CVP Relationship is shown by a) Break-even Chart b) Profit-Volume Graph c) CVP Chart d) Profit Path Chart | 1 | CO2 |

- | | | | |
|-------|---|---|-------|
| vii) | Goodwill is a a) Fixed asset, b) fictitious asset c) current asset d) wasting asset | 1 | CO1 |
| viii) | Cost sheet is also known as a) Bank requisition statement b) statement of income and expenditure c) statement of cost d) none | 1 | CO1 |
| ix) | At IRR, NPV is a) Zero b) Positive c) 1 d) Negative | 1 | CO5 |
| x) | Working capital is a) CA+CL b) CA-CL c) CA/CL d) CA x CL | 1 | CO1,5 |
| xi) | GST stands for a) Govt Sales Tax b) Goods & Supply Tax c) Goods & Services tax d) General Sales Tax | 1 | CO6 |
| xii) | Which of the following is also known as Benefit Cost Ratio? a) NPV b) ARR c) Return on Investment d) P.I | 1 | CO1,4 |

GROUP – B

(Short Answer Type Questions)

(Answer any *three* of the following) **3x5=15**

- | 2 | Write a short note on cost of Goods and Service Tax | 5 | CO2 | | | | | | | | | | | | | | | | | | |
|------|---|---------|----------------------|---------|---|------|-------|---|--------|-------|---|--------|-------|---|------|-------|---|------|-------|---|-----|
| 3 | A machine costs Rs 30,000 with an estimated life of 5 yrs. Calculate the NPV of the project, assuming a scrap value of Rs 1000 and a discounting rate of 10%. The expected cash flows and the discounting factors @ 10% are given below: | | | | | | | | | | | | | | | | | | | | |
| | <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Annual Cash flow(Rs)</th> <th>D.F@10%</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>5000</td> <td>0.909</td> </tr> <tr> <td>2</td> <td>10,000</td> <td>0.826</td> </tr> <tr> <td>3</td> <td>10,000</td> <td>0.751</td> </tr> <tr> <td>4</td> <td>3000</td> <td>0.683</td> </tr> <tr> <td>5</td> <td>2000</td> <td>0.621</td> </tr> </tbody> </table> | Year | Annual Cash flow(Rs) | D.F@10% | 1 | 5000 | 0.909 | 2 | 10,000 | 0.826 | 3 | 10,000 | 0.751 | 4 | 3000 | 0.683 | 5 | 2000 | 0.621 | 5 | CO2 |
| Year | Annual Cash flow(Rs) | D.F@10% | | | | | | | | | | | | | | | | | | | |
| 1 | 5000 | 0.909 | | | | | | | | | | | | | | | | | | | |
| 2 | 10,000 | 0.826 | | | | | | | | | | | | | | | | | | | |
| 3 | 10,000 | 0.751 | | | | | | | | | | | | | | | | | | | |
| 4 | 3000 | 0.683 | | | | | | | | | | | | | | | | | | | |
| 5 | 2000 | 0.621 | | | | | | | | | | | | | | | | | | | |
| 4. | A company earns a profit of Rs 40,000 in a year. The variable cost & selling price of a product are Rs 12 & 10 per unit respectively. Calculate the Margin of Safety. | 5 | CO2 | | | | | | | | | | | | | | | | | | |
| 5. | From the following information calculate the Sales required | 5 | CO1,4 | | | | | | | | | | | | | | | | | | |

to earn a profit of Rs 1,20,000:

Sales : Rs 6,00,000

FC : Rs 1,80,000

VC : Rs 3,75,000

6. “Contribution is a better indicator of profitability of a business than Sales”—Do you agree? Justify your answer. 5 CO3,5

GROUP – C

(Long Answer Type Questions)

(Answer any *three* of the following) **3 x 15 = 45**

7. a) From the following information calculate :
 i) Contribution ii) P/V Ratio iii) Break-Even Sales iv) Margin of Safety :
 Sales = Rs 40,000 ; Fixed Cost = Rs 12,000 ;
 Variable Cost = Rs 20,000 10 CO2
 Also calculate the revised values of these if:
 i) Fixed cost increases by 10%
 ii) Variable Cost decreases by 10%
 iii) Sales increases by 10%
- b) Explain the impact on profitability of a firm due to changes in costs and revenue. 5 CO5

8. a) From the following information calculate the IRR for 13% and 14% discounting rate:

| Yr | Net Cash Flow(Rs) |
|----|-------------------|
| 1 | 5000 |
| 2 | 8000 |
| 3 | 10,000 |
| 4 | 4000 |

Initial Investment is Rs 20,000. 10 CO2

Given:

| Year | D.F@13% | D.F@14% |
|------|---------|---------|
| 1 | 0.885 | 0.877 |
| 2 | 0.783 | 0.770 |
| 3 | 0.693 | 0.675 |
| 4 | 0.613 | 0.592 |

- b) Distinguish between cash budget and flexible budget. 5 CO3

9. a) ABC Ltd needs your help in selection of profitable projects out of the details given below:

| Projects | Cost (Rs) | Annual Cash Inflow(Rs) | Life of the Project |
|----------|-----------|------------------------|---------------------|
| A | 3,00,000 | 1,10,000 | 5 |
| B | 2,50,000 | 56,000 | 7 |
| C | 5,00,000 | 1,00,000 | 10 |
| D | 4,00,000 | 90,000 | 12 |
| E | 1,50,000 | 30,000 | 8 |

The company's required rate of return is 14%. Advise the management about the profitable projects within a budget of Rs 6,00,000.

10 CO1

Given :

| No of Years | Annuity factor @14% |
|-------------|---------------------|
| 5 | 3.433 |
| 7 | 4.288 |
| 8 | 4.639 |
| 10 | 5.217 |
| 12 | 5.660 |

- b) A capital asset worth of Rs.5000 yields Rs.3,000 and Rs.2500 at the end of first and second year respectively. Find out internal rate of return. If market rate of interest is 4% is it worth buying? Justify
10. From the following information relating to production and sales of XYZ Ltd for the year ended 31st March, 2009, prepare a cost sheet showing : (a) Prime cost (b) Works Cost (c) Cost of Production (d) Total Cost and (e) Profit per unit :

5 CO5

Opening Stock :

| | |
|-----------------------------|-----------|
| Raw materials | Rs 6,000 |
| Work-in-progress | Rs 9,620 |
| Finished Goods (1000 units) | Rs 13,680 |

Closing Stock:

| | | | |
|--------------------------|------------------|----|-----|
| Raw materials | Rs 7,000 | 15 | CO2 |
| Work-in-progress | Rs 8,020 | | |
| Finished Goods | ? | | |
| Raw materials purchased | Rs 72,000 | | |
| Direct wages | Rs 18,000 | | |
| Machine hrs worked | 21,600 hrs | | |
| Machine Hr Rate | Rs 1.50 per hour | | |
| Direct expenses | Rs 16,400 | | |
| Administrative overheads | Re 1.00 per unit | | |
| Selling overheads | Re 0.90 per unit | | |
| Units sold | 8,000 units | | |
| Units produced | 8,200 units | | |
| Profit on sales | 10% | | |

11. Write shorts notes on *any three* of the following: 3x5
- | | | | |
|----|------------------------------------|---|-----|
| a) | GST | 5 | CO6 |
| b) | Zero base budgeting | 5 | CO2 |
| c) | Importance of managing receivables | 5 | CO3 |
| d) | Time Value of Money principle | 5 | CO5 |
| e) | MoS | 5 | CO4 |