

**GURU NANAK INSTITUTE OF TECHNOLOGY**  
**An Autonomous Institute under MAKAUT**  
**2020-2021**  
**INDUSTRIAL & FINANCIAL MANAGEMENT**  
**HU503**

**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**

		<b>Marks</b>	<b>CO No.</b>
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**

- |      |  | <b>Marks</b> | <b>CO No.</b>        |         |   |      |       |   |        |       |   |        |       |   |      |       |   |      |       |   |     |
|------|--|--------------|----------------------|---------|---|------|-------|---|--------|-------|---|--------|-------|---|------|-------|---|------|-------|---|-----|
| 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"> <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 31<sup>st</sup> 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 |