

**GURU NANAK INSTITUTE OF TECHNOLOGY**  
**An Autonomous Institute under MAKAUT**  
**2021**  
**INDUSTRIAL & FINANCIAL MANAGEMENT**  
**HU805**

**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, CO4

CO2, CO3

(vi)	Budget is the most important tool of a) Cost Planning b) Production Planning c) Sales Planning d) All of these	1	
(vii)	CVP Relationship is shown by a) Break-even Chart b) Profit-Volume Graph c) CVP Chart d) Profit Path Chart	1	CO2
(viii)	A large Margin of Safety means a) Over production b) Under production c) A favourable condition for the business d) Under capitalization	1	CO2
(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, CO5
(xi)	GST stands for a) Govt Sales Tax b) Goods & Supply Tax c) Goods & Services tax d) General Sales Tax	1	CO6
(xii)	At IRR, PI is a) Zero b) 1 c) >1 d) >0	1	CO1, CO4

**GROUP – B**

**(Short Answer Type Questions)**

Answer any *three* from the following: **3×5=15**

		<b>Marks</b>	<b>CO No</b>
2.	Define financial management. State its objectives.	5	CO1, CO5
3.	“Contribution is a better indicator of profitability of a business than Sales”—Do you agree? Justify your answer.	5	CO3, CO5

4. 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:

Year	Annual Cashflow(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. A company earns a profit of Rs 40,000 in a year. The variable cost & selling price of a product are Rs 10 & 12 per unit respectively. Calculate the Margin of Safety. 5 CO2
6. From the following information calculate the Sales required to earn a profit of Rs 1,20,000: 5 CO1, CO4
- Sales : Rs 6,00,000  
FC : Rs 1,80,000  
VC : Rs 3,75,000

**GROUP – C**  
**(Long Answer Type Questions)**  
Answer any *three* from the following: **3×15=45**

- |    |     |   |              |               |
|----|-----|---|--------------|---------------|
|    |     |   | <b>Marks</b> | <b>CO No.</b> |
| 7. | (a) | From the following information calculate :  | 10           | CO3, CO4      |
|    |     | i) Contribution<br>ii) P/V Ratio<br>iii) Break-Even Sales<br>iv) Margin of Safety :<br>Sales = Rs 40,000 ; Fixed Cost = Rs 12,000 ;<br>Variable Cost = Rs 20,000<br>Also calculate the revised values of these if:<br>i) Fixed cost increases by 10%<br>ii) Variable Cost decreases by 10%<br>iii) Sales increases by 10%<br>(All changes are together) |              |               |
|    | (b) | Explain the impact on profitability of a firm due to changes in costs and revenue   | 5            | CO2, CO5      |
| 8. | (a) | From the following information calculate  | 10           | CO2, CO3      |
|    |     | (i) NPV at 13% discounting rate<br>(ii) PI<br>(iii) IRR   |              |               |

Yr	Net Cash Flow(Rs)
1	5000
2	8000
3	10,000
4	4000
Initial Investment is Rs 20,000.	
Given:	

Year	<u>D.F@13%</u>
1	0.885
2	0.783
3	0.693
4	0.613

- (b) b) Distinguish between cash budget and flexible budget. 5 CO2, CO3
9. (a) ABC Ltd needs your help in selection of profitable projects out of the details given below: 10 CO2, CO3

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	4,00,000	1,00,000	10
D	3,00,000	90,000	12
E	1,50,000	30,000	8

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

**Given :**

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

- (b) Write the major points of distinction between NPV & IRR. 5 CO1, CO2
10. (a) The following data relate to the manufacture of a standard product during the month of June 2011: 12 CO3, CO4

Particulars	Details
Raw materials consumed	Rs 4000
Wages	Rs 6000
Machine hours worked	1000 hrs
Machine hour rate	Re 0.50 per hr
Office overhead	20% on Works Cost
Selling overhead	6 paise per unit
Units produced	20,000 units
Units sold	18,000 @Re 1 per unit

Prepare a Cost Sheet for June 2011, showing the Cost per Unit and Profit for the period.

- (b) What is Margin of Safety? 3 CO1

11. Write shorts notes on *any three* of the following: 3x5=15
- |    |                                    |     |
|----|------------------------------------|-----|
| a) | GST                                | CO2 |
| b) | Zero base budgeting                | CO2 |
| c) | Importance of managing receivables | CO3 |
| d) | Time Value of Money principle      | CO5 |
| e) | Operating Cycle                    | CO4 |