



ARKAJAIN
University
Jharkhand

915123

4th Semester End Term Examination: May - 23.

Subject : Financial Management **Roll No:**
Course : B.Com (Hons.)
Full Marks : 70 **Time : 3 Hours.**

Instructions to the Candidates:

- Read the question paper very carefully.
- Start writing from 2nd page onwards; Don't Write On The 1st Page Backside.
- Question Paper is divided into Three Parts -A, B & C.
- Part-A is containing 12 multiple choice questions.
- Part- B containing SIX questions out of which **FOUR** questions are to be answered.
- Part C containing **FOUR** questions out of which **TWO** questions are to be answered.
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PART - A

Multiple Choice Questions

[12x1=12]

- i) Future value of one rupee invested today is
 - a) More than one rupee
 - b) Equal to one rupee
 - c) Less than one rupee
 - d) Equal to present value
- ii) Capital budgeting is a part of
 - a) Investment decision
 - b) Working Capital
 - c) Marketing management
 - d) Capital Structure
- iii) Which of the following is included in financial decision making
 - a) Investment decision
 - b) Financing decision
 - c) Dividend decision
 - d) All the above.
- iv) Capital budgeting decisions are:
 - a) Reversible
 - b) Irreversible
 - c) Unimportant
 - d) All the above
- v) Capital budgeting deals with:
 - a) Long term decision
 - b) Short term decision
 - c) Both a and b
 - d) Neither a or b

- vi) The annual cash flows occurring at the end of each year for certain period are known as:
- Annuity
 - Deferred Payments
 - Annuity Due
 - perpetuity
- vii) Which of the following is not a feature of current assets?
- Shorter liquidity
 - Longer life
 - Controllable
 - Relevant
- viii) Cash budget does not include
- Dividend Payable
 - Capital Expenditure
 - Issue of capital
 - Total sales figure
- ix) Which of the following is not a motive to hold cash?
- Transactionary Motive
 - Precautionary Motive
 - Capital Investment
 - None of these
- x) The transaction motive for holding cash is for
- Safety Cushion
 - Daily Operation
 - Purchase of Assets
 - Payments of Dividends
- xi) Which of the following is the reason behind adopting irregular dividend policy:
- Excess of liquid resources
 - Regular Income
 - Shortage of liquid resources
 - None of these
- xii) Which factors determining dividend policy
- Liquidity of fund
 - Nature of Business
 - Both a and b
 - None of these

PART - B

Answer any FOUR out of SIX

- Mr. Pathak deposits a sum of Rs. 100000 in a bank account on which interest is credited @ 10% p.a. how much amount can be withdrawn annually for a period of 15 years?
- Shweta deposits Rs. 300000 on 1st January 2015 in a Bank at 14% p.a. rate of interest compounded semi-annually for two years. Find out the future value of the deposit as on 31st dec.2016

3. Calculate the operating, financial and combined leverages if:

Sales	500000
Variable costs	350000
Fixed costs	100000
10% Debentures	250000

- Explain your viewpoints regarding Shareholder's Wealth Maximization Objective of Financial Management.
- Y Ltd issued a new 10% debenture of Rs. 1000 face value to be redeemed after 10 years. Flotation cost amount to 4%. Calculate the cost of debt capital (before and after tax) assuming that the debt is at (i) at par (ii) 10% discount and (iii) 10% premium. Tax rate

- What is capital Budgeting? Explain the different types of capital expenditure?
- What is the meaning of cash management. Bring out the importance for holding cash in a firm.

PART - C

Answer any TWO out of FOUR

[2x15=30]

- Pathak & Sons Co. is considering to purchase two machine A and B each costing Rs. 50000. Earning after taxation are expected to be as follows:

Cash Flow Year	Machine A	Machine B
1	15000	5000
2	20000	15000
3	25000	20000
4	15000	30000
5	10000	20000

Evaluate the two alternative according to:

- Payback period method
 - ARR
 - NPV
- A discount rate of 10% is to be used.
- Explain the term Dividend Policy? Explain the various factors that influence the dividend decision.
 - Explain the term Working Capital? Explain the importance of working capital.
 - Calculate the amount of working capital requirement for CC Ltd. From the following information:

Raw Materials	160
Direct Labour	60
Overheads	120
Total cost	340
Profit	60
Selling Price	400

Raw materials are held in stock on an average for one month. Materials are in process on an average for half-a-month. Finished goods are in stock on an average for one month. Credit allowed by suppliers is one month and credit allowed to debtors is two months. Time lag in payment of wages is 3/2 weeks. Time lag in payments of overhead expenses is one month. One fourth of the sales are made on cash basis. Cash in hand and cash at bank is expected to be Rs. 50,000 and expected level of production amounts to 1, 04,000 units for a year of 52 weeks.

v) _____ is an apex Institute in the area of Entrepreneurship and Small Business Development under the Ministry of Micro, Small and Medium Enterprises Government of India.

- a) NIESBUA.
- b) NIESBUC
- c) NIESBUD
- d) NIESBUB

vi) To provide financial assistance to entrepreneurs the government has set up a number of _____.

- a) Financial advisors.
- b) Industrial estates.
- c) Financial intermediaries.
- d) Financial institutions.

vii) Which industrial sector tends to naturally promote small-scale businesses and Entrepreneurship, and generally has lower barriers to market entry?

- a) Distribution.
- b) Manufacturing.
- c) Service
- d) Agriculture.

viii) DIC is headed by General Manager in the rank of _____.

- a) Assistant Director of industries.
- b) Non-departmental officer.
- c) Joint Director of industries.
- d) Departmental officer.

ix) An individual who initiates, creates and manages a new business can be called _____.

- a) A leader
- b) An entrepreneur
- c) A professional
- d) A manager

x) Why should an entrepreneur do a feasibility study for starting a new venture?

- a) To identify possible sources of funds
- b) To estimate the expected sales
- c) To explore potential customers
- d) To see if there are possible barriers to success

xi) Born sickness is the sickness since _____ of the organization.

- a) Termination
- b) Inception
- c) End
- d) Middle

xii) Sick industries refer to those units _____.

- a) Which perform poorly
- b) Incur cash losses for consecutive years
- c) Gradually erode the entire net worth
- d) All of these

PART - B

Answer any FOUR out of SIX

[4x7=28]

2. What is the role of DIC's in promoting entrepreneurship in India?

3. How an entrepreneurial venture can go public?

4. What do you mean by Venture Capital? Give 3 examples of Venture capitalist firm in India.

5. What are the steps involved in business opportunity identification?

6. What are the steps involved in setting up a small industry?

7. What is the nature and importance of entrepreneurs?

PART - C

Answer any TWO out of FOUR

[2x15=30]

8. What is a business plan? What are the steps involved in framing a business plan?

9. What are the sources of finance for an entrepreneur?

10. Describe the role of entrepreneur in economic development.

11. What is sick industry? What are the reasons for sickness of an industry and what can be the remedial steps?



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PART - A

Multiple Choice Questions

[12x1=12]

- i) The cost unit for hospital is
 - a) Patient/ day
 - b) Bed / day
 - c) Doctor / day
 - d) None of the above
- ii) The cost unit for canteen is
 - a) No of employees
 - b) Meals served
 - c) No of employees in the canteen
 - d) None of the above
- iii) The cost unit for boiler house is
 - a) Litres of steam supplied
 - b) Tonns of steam supplied
 - c) Kilogram of steam supplied
 - d) None of the above
- iv) Apportionment is the division of cost amongst many cost centres
 - a) True
 - b) False
 - c) Partly true
 - d) None of the above

PART - C

Answer any TWO out of FOUR

[2x15=30]

8. XYZ has two production departments and three service departments' Expenses incurred for these departments and other information available is given below.

Particulars	Production depts		Service depts		Personnel
	A	B	maintenance	Power	
Overhead before allocating service dept cost	1,20,000	1,50,000	20,000	48,000	40,000
Allocation basis					
maintenance hrs	80	20	-	40	20
KWH consumed	4	16	2	-	2
Number of employees	60	30	30	18	-

Allocate the cost of service depts to he production depts under 1) Direct method 2) Step down method

9. What are the different methods of production overhead? Explain each method.

10. ABC co buys in lots of 125 boxes which is a three months' supply. The cost of the box is Rs 125 and the ordering cost is Rs 250 per order. The inventory carrying cost is estimated at 20% of unit value per annum.

You are required to ascertain 1) what is the total annual cost of the existing inventory policy? How much money would be saved by the company by employing the EOQ?

11. Show the stores ledger entries as they would appear when using

a) LIFO method

April	particulars	Units	Value (Rs)
1	Bal in hand	300	600.00
2	Purchased	200	440.00
4	Issues	150	-
6	Purchased	200	460.00
11	Issued	150	-
19	issued	200	-
22	Purchased	200	460.00
27	issued	250	-

In a period of rising prices such as above, what are the effects on each method?

- v) Idle time wages is part of factory overheads
 - a) True
 - b) False
 - c) Partly true
 - d) None of the above
- vi) Repeated redistribution is a method of overhead allocation / apportionment.
 - a) True
 - b) None of the above
 - c) Partly false
 - d) Works cost
- vii) Direct material + direct Labour + direct expenses is
 - a) Prime cost
 - b) None of the above
 - c) Cost of production
 - d) Works cost
- viii) Abnormal cost is not considered in the cost sheet.
 - a) False
 - b) Partly false
 - c) True
 - d) None of the above
- ix) Sunk cost is not useful for decision making
 - a) True
 - b) False
 - c) Partly true
 - d) None of the above
- x) GRN means
 - a) Goods returned note
 - b) Goods received note
 - c) Goods remain note
 - d) None of the above
- xi) Bin card and the store ledger is one and the same thing
 - a) True
 - b) False
 - c) Partly true
 - d) None of the above
- xii) EOQ means
 - a) Economic order quantity
 - b) Economic offer quantity
 - c) Economic on quantity
 - d) None of the above

PART - B

Answer any FOUR out of SIX

[4x7=28]

- 2 What is the effect in change in the method of issue from FIFO to WAR rate?
- 3. What is the difference between historical vs absorption costing?
- 4. What do you understand by standing order no vs cost account number.
- 5. A worker is allowed 10 hours to complete a job on daily basis. He takes 6 hours to complete job under a scheme of payment by results. His day rate is Rs 6 per hour and piece rate is Rs 36. The material cost of the product is Rs 40 and the overheads are charged at 150% of the total direct wages. Calculate the factory cost of the product under
 - a) Piece work plan
 - b) Rowan plan
 - c) Halsey plan.
- 6. Explain the concept of ABC analysis and VED analysis
- 7. Classify cost by function and explain in detail.