

**BACHELOR OF BUSINESS ADMINISTRATION
(RETAIL SERVICES) (BBARS)**

Term-End Examination

June, 2012

BRS-016 : FINANCIAL MANAGEMENT

Time : 3 hours

Maximum Marks : 100

- Note :**
1. Answer *any five* questions.
 2. Figures to the right indicate marks.
 3. Kindly show working notes wherever possible. They shall be treated as part of the answer.

1. Ateet Limited provides the following Income Statement for the years 2010-11 and 2011-12. Prepare Vertical Format and calculate the following ratios and comment on the same : 20
 - (a) Gross Margin Ratio
 - (b) Net Margin Ratio
 - (c) Operating Ratio
 - (d) Operating Expenses Ratio
 - (e) Sales to Expenses Ratio

Particulars	2010-11	2011-12
Sales	37,80,000	42,94,000
Opening Stock	82,000	64,000
Purchases	16,00,000	18,90,000
Factory Expenses	98,000	1,25,000
Wages	3,84,000	4,24,000
Carriage Outward	21,000	32,000
Power and Fuel	56,000	76,000
Depreciation on Factory Assets	1,20,000	1,20,000
Depreciation on Office Assets	1,80,000	2,16,000
Salaries	3,72,000	4,54,000
Selling Expenses	2,80,000	3,54,000
Interest	64,000	72,000
Loss on Sale of Assets	12,000	22,000
Tax	1,53,300	1,33,500
PAT	3,57,700	3,11,500

2. Bhavna Bros. provides the following data for the year ended March 2011. Using the data ascertain the working capital requirements of the company : 20

Particulars	Amount in Rs.
Sales	48,00,000
Materials	24,00,000
Wages	9,60,000
Overheads	7,20,000
Profit	7,20,000

Additional Information :

- (a) The company works for 48 weeks during the year.
- (b) Raw Material shall remain in stock for 8 weeks.
- (c) The material shall remain in the production process for 4 weeks.
- (d) Finished Goods remain in stock for 12 weeks.
- (e) Debtors enjoy a credit of 12 weeks.
- (f) Creditors extend a credit of 8 weeks.
- (g) 30% of sales and 60% of purchases are for cash.
- (h) Cash and bank balance is expected to be Rs. 2,40,000 on an average.
- (i) A contingency reserve of 10% of gross current assets should be maintained.

3. Antara Associates adopts flexible budgeting technique for forecasting cost. The following details are available from the previous year's records at 100% level when 48,000 units were produced. Based on the given data prepare flexible budget for 60%, 80%, 110% and 130%, presenting the data in a suitable format. 20

Heads of Expenses	Nature of Expenses	Amount
Material	Variable	Rs. 20 per unit
Labour	Variable	Rs. 15 per unit
Manufacturing Expenses	Variable	Rs. 8 per unit
Salaries	Fixed	Rs. 7,00,000
Commission	50% Fixed	Rs. 1,48,000
Advertising	80% Fixed	Rs. 2,40,000
Office Expenses	90% Fixed	Rs. 1,50,000
Interest	Fixed	Rs. 1,20,000
Rent	Fixed	Rs. 4,80,000
Depreciation	Fixed	Rs. 1,80,000
Selling Expenses	75% Fixed	Rs. 5,60,000
Sales	Variable	Rs. 54,00,000

4. Surabhi Limited is evaluating three proposals for purchase of a new machine. Using the information advise the company on the machine to be purchased. Your suggestion should be based on Payback Period and ARR. Also calculate the Payback Profitability in each case. 20

Particulars	Machine 1	Machine 2	Machine 3
Cost of the Machine	45,00,000	45,00,000	45,00,000
Cash Inflows			
Year 1	7,20,000	8,40,000	6,40,000
Year 2	9,80,000	10,20,000	12,40,000
Year 3	12,40,000	10,20,000	15,20,000
Year 4	13,50,000	14,80,000	13,60,000
Year 5	7,50,000	6,80,000	2,80,000

5. (a) What do you mean over capitalization ? 4
- (b) Explain the effects of over capitalization. 8
- (c) What are the remedies of over capitalization ? 8
6. (a) What is Financial Forecasting ? What are its limitations ? 7
- (b) What are the factors affecting working capital requirements of a company ? 7
- (c) What sources would you tap for financing working capital ? 6

7. From the following balance sheets prepare Cash Flow Statement : 20

Assets	2009-10	2010-11
Land	15,00,000	15,00,000
Buildings	7,30,000	8,27,000
Machinery	7,00,000	8,40,000
Furniture	6,50,000	4,05,000
Sundry Debtors	6,50,000	8,22,000
Bills Receivable	30,000	42,000
Stock	2,80,000	3,10,000
Investments	2,02,000	4,14,000
Cash and Bank	12,000	18,000
Total	47,54,000	51,78,000
Liabilities	2005-06	2006-07
Share Capital	20,00,000	21,00,000
Reserves and Surplus	8,12,000	7,50,000
Term Loans	4,84,000	6,52,000
8% Debentures	5,00,000	6,50,000
Sundry Creditors	6,23,000	7,00,000
Bills Payable	55,000	19,000
Provision for Taxation	2,80,000	3,07,000
Total	47,54,000	51,78,000

Additional Information :

- Depreciate fixed assets at 10% p.a.
- Machinery worth Rs. 14,000 having a book value of Rs. 9,000 was scrapped and written off from the books.

- (c) A piece of furniture worth Rs. 9,000 was sold for Rs. 6,000. Its book value was Rs. 7,200.
- (d) Tax paid during the year was Rs. 2,95,000 and dividend paid was Rs. 2,00,000.

8. Write short notes on : (*any 4*)

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- (a) Liquidity v/s Profitability
 - (b) Operating Cycle
 - (c) Functions of Financial Management
 - (d) Master Budget
 - (e) Significance of Capital Budgeting
 - (f) Profit v/s Wealth Maximization
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