



UNIVERSITY OF NORTH BENGAL

B.Com. Honours Part-III Examination, 2021

B.COM.

PAPER-3H7 (Revised New Syllabus)

**FINANCIAL MANAGEMENT AND FINANCIAL STATEMENT ANALYSIS
(FOR HONOURS IN MANAGEMENT AND FINANCE)**

Full Marks: 100

ASSIGNMENT

The figures in the margin indicate full marks.

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

All symbols are of usual significance.

GROUP-A

Answer any four questions from the following

25×4 = 100

1. (a) What do you mean by Capital Budgeting? Enumerate its need and importance. 3+7
- (b) A business enterprise can make either of two investments at the beginning of 2015. Assuming required rate of return in 10% p.a, evaluate the investment proposals under: 15
- (i) Pay Back period Method
- (ii) Net Present Value Method
- (iii) Internal Rate of Return Method

	Proposal-A	Proposal-B
Cost of Investment (Rs.)	20,000	28,000
Life (Years)	4	5
Net Income (After depreciation and tax) Rs.		
End of 2015	500	Nil
End of 2016	2,000	3,4000
End of 2017	3,500	3,400
End of 2018	2,500	3,400
End of 2019	Nil	3,400

It is estimated that each of the alternative projects will required an additional working capital of Rs. 2,000 which will be received back in full after the expiry

of each project life. Depreciation is provided under the straight-line method. The present value of Re. 1 to be received at the end of each year, at 10% p.a. is given below:

Year	1	2	3	4	5
P.V.	0.91	0.83	0.75	0.68	0.62

2. (a) As a Finance Manager of a manufacturing concern what factors would you consider as important in estimating the working capital needs of the concern? 10+15

(b) PQR Ltd. is presently operating at 60% capacity level, producing 36,000 units per annum. In view of favorable market conditions, it has been decided that from 1st January 2000, the company would operate at 90% capacity. The following information is available:

- (i) Existing cost-price structure per unit: Raw materials Rs. 4; Wages Rs. 2; Overheads (Variable) Rs. 2; Overheads (Fixed) Re 1; Profit Re.1
- (ii) It is expected that the cost of raw material, wages, other expenses and sales per unit will remain unchanged in the year 2000.
- (iii) Raw materials remain the store for 2 months before these are issued to production. These units remain in production process for one month.
- (iv) Finished goods remain in godown for 2 months.
- (v) Credit allowed to debtors is 2 months. Credit allowed by creditors is 3 months.
- (vi) Lag in wages and overhead payments is one month.
- (vii) Wages and overhead accrue evenly throughout the production cycle.

Calculate the working capital requirements on an estimated basis to sustain the increased production level.

3. (a) “Analysis without interpretation is meaningless and interpretation without analysis is impossible” – Discuss the statement. 10+15

(b) What is the importance to management of comparative statement? Illustrate your answer with particular reference to Comparative Revenue Statements and state how these statements are prepared.

4. (a) Describe the important relationships which you would examine to study: (i) the capital structure and (ii) the condition of liquidity of a business unit. 10+15

(b) From the following information prepare a summarized Balance Sheet of ABC Ltd. as at 31.12.2005:

Fixed Assets to Net Worth	0.75:1
Current Ratio	5:2
Acid Test Ratio	3:2
Reserve to Proprietor's Fund	1:4
Current Liability	Rs. 2,00,000
Cash and Bank Balance	Rs. 10,000
Fixed Assets	Rs. 6,00,000

5. (a) What are the different methods of calculating ‘Net Cash Flows from Operating Activities’? Explain the methods. 15+10

(b) From the following information prepare a Cash Flow Statement for the period ended on 31.03.2016:

Dividend paid during the year: Rs. 60,000

Tax paid during the year: Rs. 75,000

Administrative & Selling Expenses: Rs. 1,80,000

Cost of goods sold: Rs. 18,00,000

The opening stock was lower than the closing stock by: Rs. 25,000

Amount paid to Creditors during the year: Rs. 17,75,000

One new machinery purchased in December, 2015 for: Rs. 3,00,000

Closing balance of creditors exceeds the opening balance of creditors by: Rs. 50,000

Sales for the year: Rs. 24,00,000

Opening balance of Cash: Rs. 25,000

Closing balance of Cash: Rs. 35,000

The concern has no debtor.

6. Write short notes on: 5×5

(a) Cost of retained earnings

(b) Operating Cycle Concept of Working Capital

(c) Horizontal Analysis of Financial Statements

(d) Ratios for Activity Analysis

(e) Average Rate of Return.

—×—