2011

Time: 3 hours
Full Marks: 100

Candidates are required to give their answers in their own words as far as practicable.
The figures in the margin indicate full marks.
Answer from both the Groups as directed.

Group – A
(Objective Type Questions)
Answer all questions.

1. Choose the correct answer of the following:

   \[2 \times 10 = 20\]

   (a) Making Capital Management deals with:

   (i) Long term
   (ii) Short term

   JX – 13/2

   (Turn over)
(iii) Both (i) and (ii)
(iv) None of the above

(b) Capital Budgeting deals with:
(i) Long-term finance
(ii) Short-term finance
(iii) Both of these
(iv) None of these

(c) In double entry book-keeping transactions:
(i) Debit > Credit
(ii) Debit < Credit
(iii) Debit = Credit
(iv) None of these

(d) Assets of a business equals to:
(i) Liabilities + Capital
(ii) Liabilities – Capital
(iii) Capital – Liabilities
(iv) None of these

(e) Capital A/c comes under:
(i) Personal A/c

JX - 13/2
(2)
Contd.
(ii) Real A/c
(iii) Nominal A/c
(iv) All of the above

(f) Financial statements are purposed at the end of:
   (i) Calendar year
   (ii) Assessment year
   (iii) Financial year
   (iv) Accounting year

(g) If stock is Rs. 10,000, debtors Rs. 25,000, prepaid expenses Rs. 2,000, outstanding expenses Rs. 7000, Creditors Rs. 10,000, the amount of working capital will be:
   (i) Rs. 25,000
   (ii) Rs. 20,000
   (iii) Rs. 37,000
   (iv) None of these

(h) The term current assets does not include:
   (i) Debtors

JX – 13/2 (3) (Turn over)
(ii) Stock
(iii) Prepaid expenses
(iv) Furniture

(i) Depreciation of Fixed Assets is:
   (i) Capital expenditure
   (ii) Deferred expenditure
   (iii) Revenue expenditure
   (iv) None of these

(j) Closing Stock is valued:
   (i) Cost price
   (ii) Market price
   (iii) Cost or market whichever is lower
   (iv) None of these

Group – B

(Long-answer Type Questions)

Answer any four of the following: \(20 \times 4 = 80\)

2. Discuss the objectives of Financial Management.

3. Discuss capital structure? What are the major determinants of capital structure?

JX – 13/2 (4) Contd.
4. The data relating to two companies are given below:

<table>
<thead>
<tr>
<th></th>
<th>Company 'A'</th>
<th>Company 'B'</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Capital</td>
<td>Rs. 5,00,000</td>
<td>Rs. 3,00,000</td>
</tr>
<tr>
<td>10% Debentures</td>
<td>Rs 3,00,000</td>
<td>Rs. 3,00,000</td>
</tr>
<tr>
<td>Output (per annum)</td>
<td>50,000 units</td>
<td>20,000 Units</td>
</tr>
<tr>
<td>Selling price (P.U)</td>
<td>Rs. 30</td>
<td>Rs. 100</td>
</tr>
<tr>
<td>Variable Cost (P. U)</td>
<td>Rs. 20</td>
<td>Rs. 75</td>
</tr>
<tr>
<td>Fixed cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Per annum)</td>
<td>Rs. 4,00,000</td>
<td>Rs. 4,20,000</td>
</tr>
</tbody>
</table>

You are required to calculate the:

(i) OL  
(ii) FL  
(iii) CL

of two companies

5. Discuss the functions of Chief Financial Officer.

6. Discuss the relation between debt financing and financial leverage.

7. What is risk? How can risk of an asset be calculated? Explain.

JX – 13/2 (5) (Turn over)
8. Calculate (i) pay back period and (ii) ARR from the following data:

Cost of a plant: Rs. 1,00,000
Life of the plant: 5 years
Tax Rate: 40%
Depreciation charged: Straight line method

Cash flows before depreciation and tax:

<table>
<thead>
<tr>
<th>Year</th>
<th>CFBDT Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>30,000</td>
</tr>
<tr>
<td>2</td>
<td>40,000</td>
</tr>
<tr>
<td>3</td>
<td>20,000</td>
</tr>
<tr>
<td>4</td>
<td>40,000</td>
</tr>
<tr>
<td>5</td>
<td>30,000</td>
</tr>
</tbody>
</table>

9. Write short notes on any four of the following:

(i) Bridge Finance
(ii) Zero Coupon Bond
(iii) ADR
(iv) CAPM (Capital Assets Pricing Model)
(v) IRR
(vi) Optimum Capital Structure