

Triyambike
Ganesh

JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT
Mid-Sem, JUNE 2018
SUMMER SEMESTER

COURSE NAME: Financial Management
COURSE CODE: 10B11PD411

MAX. Marks: 50
Max. TIME: 2 Hrs

Q1. The following balances have been extracted from the trial balance of M/S Runway Shine enterprises. Prepare a trading and profit and loss account and a balance sheet as on December 31, 2005.

Account	Dr. Amount (Rs.)	Account	Dr. Amount (Rs.)
Purchases	150000	Commission	200
Opening stock	50000	Interest	1000
Returns inwards	2000	Repair	440
Carriage inwards	4500	Lighting charges	500
Cash in hand	77800	Telephone charges	100
Cash at bank	60800	Carriage outward	400
Wages	2400	Motor car	25000
Printing and Stationery	4500		489440
Discount	400		
Bad debts	1500	Account	Cr. Amount (Rs.)
Insurance	2500	Sales	250000
Investment	32000	Return outwards	4500
Debtors	53000	Interest received	3500
Bills receivable	20000	Discount received	400
Postage and Telegraph	400	Creditors	125000
		Bills payable	6040
		Capital	100000
			489440
Adjustments:			
Closing stock	Rs. 32500		
Depreciation to be charged on motor car @5%			

(2+3+3 marks)

Q2. Record the following transactions in the journal of Goodluck enterprises and prepare the cash account at the end of the first week of operations.

Jan 1, 2008: Started business with Rs. 2000000 cash.

Jan 2, 2008: Deposited in the bank Rs. 1950000.

Jan 3, 2008: Purchased a building for office use for Rs. 1200000, issued cheque to Ram Saran.

Jan 4, 2008: Bought office furniture from Godrej Interio Rs. 120000.

Jan 5, 2008: Purchased stock from Sridhar on 15 days credit, Rs. 500000

Jan 6, 2008: Issued cheque to Godrej Interio in full settlement of their account Rs.117000

(6+2 marks)

- Q3. a) How is the company form of organization superior to the partnership form?
 b) Explain the importance of financing and investment decisions to an organization.
 (5+5 marks)

- Q4. a) Minden Co has current assets of \$180,000 (cash: \$20,000, accounts receivable: \$70,000, inventory: \$90,000), and long-term assets that had cost \$400,000, with accumulated depreciation to date of \$180,000. Sales were \$500,000, and operating profit and EBIT was \$50,000. Tax was \$2000 and interest paid was \$10,000. A dividend of \$10,000 was paid to the common shareholders. There are 1,000 shares in issue, and the share price is \$240 per share.

Calculate: i) The price to earnings ratio ii) Interest coverage ratio iii) Receivables turnover ratio and iv) Net profit margin ratio.

- b) Assume that a firm has owners' equity of Rs. 1, 00,000. The ratios for the firm are:

Current Debt to Total Debt: 0.40

Total Debt to Owner's equity: 0.60

Fixed Assets to Owner's Equity: 0.60

Total Assets Turnover: 2 times

Inventory Turnover: 8 times

Complete the following balance sheet from the above information.

Equities	Rs.	Assets	Rs.
Current Debt		Cash	
Long-Term Debt		Inventory	
Total Debt		Total Current Assets	
Owner's Equity		Fixed Assets	
Total Equity		Total Assets	

(6+6 marks)

- Q5. a) Calculate the present value of Rs. 20000 received every year for 5 years starting from the beginning of the current year, discount rate 10%.

- b) Calculate the present value of Rs 1000000 gratuity to be received 10 years later at a discount rate of 12%.
- c) Work out the EMI of a loan of Rs 600000 for 5 years at an annual interest rate of 12%. How much does the borrower pay in total over the 5 year period.
- d) How much should be invested annually @ 8%, compounded quarterly, to get Rs. 500000 at the end of 10 years.
- e) What is effective interest rate and how is it calculated?

(2+1+4+3+2)