

## JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

## MID SEMESTER EXAMINATION-2015

## B.Tech IV Semester

COURSE CODE: 10B11PD411

MAX. MARKS: 30

COURSE NAME: FINANCIAL MANAGEMENT

COURSE CREDITS: 03

MAX. TIME: 2 HRS

*Note: All questions are compulsory. All questions of a section should be answered in continuation.*

## Section A

(Marks: 1x6=6)

1. How NI approach differs from NOI approach?
2. "In the current budget, the government has decided to decrease the corporate tax rate". How will it affect the capital structure decision of a firm?
3. Who will prefer Proportionate Rule voting over Majority Rule voting and why?
4. How DRR protects the interest of debenture holders?
5. What are the ways to resolve Agency Problems?
6. Why Preference Share is called so?

## Section B

(Marks: 3x3=9)

Following is the Trial Balance of Sh. Gurdeep Singh for the year ending on 31<sup>st</sup> March, 2014.

Particulars	Dr. (Rs.)	Cr. (Rs.)	Particulars	Dr. (Rs.)	Cr. (Rs.)
Stock on 01-04-2013	30000		Drawings	7200	
Motor Vehicles	46200		Legal charges	1000	
Purchases and Sales	230000	345800	General Expenses	8350	
Returns	12500	15200	Capital		89760
Commission on Purchases	1200		Investments	8000	
Freight, octroi and carriage	26000		Interest	3000	800
Wages and Salary	10800		Custom Duty on imported goods	4500	
Fire Insurance Premium	820		Cash in hand	2570	
Business premises	40000		Bank Overdraft		5200
Sundry Debtors	26100		Commission	4600	4400
Sundry Creditors		26700	Loan on Mortgage		30000
Goodwill	8000		Bills Payable		2280
Patents	8400		Bills receivable	4540	
Coal, Gas and Power	7600		Advertisement	3000	
Printing and Stationery	2100		Machinery	20300	
Postage and Telegram	710		Apprenticeship Premium		1600
Travelling expenses	4250				

Adjustments:

- a) Closing stock is valued at Rs. 46,200.
- b) Depreciate machinery @10% per annum and motor vehicles @5% per annum.

P.T.O.

Based on the Trial Balance given above, prepare –

1. Trading account and calculate gross profit/gross loss.
2. Profit and Loss account and calculate net profit/net loss.
3. Balance Sheet of the firm.

**Section C**

**(Marks: 5x3=15)**

1. Journalise the following transactions for the month of February, 2014 in the books of Ganpati Enterprises and prepare the cash account in the ledger. (3+2=5)
  - a) Feb, 2, 2014 -Ganpati Rao commenced operations by transferring Rs 8,00,000 to the bank account, Rs 2,00,000 to the cash account of Ganpati enterprises.
  - b) Feb, 6, 2014 -Purchased furniture worth Rs 1,00,000 from Neelkamal Ltd.
  - c) Feb, 8, 2014 -Purchased 1,000 units of goods from Karan enterprises for cash Rs 1,50,000
  - d) Feb, 12, 2014 -Sold 500 units of goods to Raman for Rs 1,00,000.
  - e) Feb, 22, 2014 -Paid Neelkamal Ltd. Rs 1,00,000 cash.
  - f) Feb, 26, 2014 -Received Rs 1,00,000 from Raman for goods sold to him.
  
2. Based on the following information of the financial ratios, prepare Balance Sheet of ABC Ltd as at March 31<sup>st</sup>, 2014: (5)  
 Current ratio 2.5, Quick ratio 1.5, Net working capital Rs 6,00,000/-, Inventory turnover ratio 5, Gross profit margin 20%, Fixed asset turnover ratio (using sales) 2, Average collection period 2.4 months, Fixed asset to net worth 0.80, Long term debt to capital 18.4%.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital and Reserves	.....	Fixed Assets	.....
Long-Term Debt	.....	Inventory	.....
Current Liabilities	.....	Sundry Debtors	.....
		Cash	.....

3. Answer both the questions (2+1+2=5)
  - a). Calculate the quick ratio from the given information: Current assets Rs 4,40,000/-, Stock Rs 95,000/-, Prepaid expenses Rs 5,000/- Current liabilities Rs 3,40,000/-, Creditors Rs 20,000/-.
  - b). Differentiate between operating profit margin and net profit margin on the basis of objective and interpretation.
  - c). How DuPont analysis is useful in analyzing a ratio?