

ROLL No.....

NATIONAL COUNCIL FOR HOTEL MANAGEMENT  
AND CATERING TECHNOLOGY, NOIDA  
**ACADEMIC YEAR – 2013-2014**

COURSE : 5th Semester of 3-year B.Sc. in H&HA  
SUBJECT : Financial Management  
TIME ALLOWED : 03 Hours MAX. MARKS: 100

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(Marks allotted to each question are given in brackets)

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Q.1. Financial Planning is key to success. What are the basic fundamentals of financial planning?

**OR**

Explain the goals of financial management.

(10)

Q.2. Define working capital. What factors would you take into consideration in estimating the working capital needs of a budget hotel?

**OR**

What do you understand by the term "over capitalization"? State the factors responsible for such a state of affairs.

(10)

Q.3. Write short notes on:

- (a) Debt-equity Ratio
- (b) Over-Trading
- (c) Any two financial statements

**OR**

Evaluate the following as a form of financing:

- (a) Equity shares
- (b) Preference shares
- (c) Debentures

(3+3+4=10)

Q.4. Write short notes on:

- (a) Deferred Revenue Expenditure
- (b) Pay Back Period Method
- (c) Net Working Capital
- (d) Net Present Value Method

(4x2 ½ =10)

- Q.5. From the following Balance Sheets of Arora Co. Ltd. for the period 31<sup>st</sup> March 2009 and 31<sup>st</sup> March 2010, prepare schedule of changes in Working Capital and Funds Flow Statement:

**BALANCE SHEET AS ON 31<sup>ST</sup> MARCH**

Liabilities	2009 Amount in ₹	2010 Amount in ₹	Assets	2009 Amount in ₹	2010 Amount in ₹
Share capital	3,00,000/-	4,00,000/-	Plant	95,000/-	90,000/-
Sundry Creditors	60,000/-	30,000/-	Furniture	20,000/-	40,000/-
Bills Payable	40,000/-	70,000/-	Equipment	-	70,000/-
			Debtors	1,60,000/-	1,50,000/-
			Stock	1,25,000/-	1,50,000/-
<b>TOTAL</b>	<b>4,00,000/-</b>	<b>5,00,000/-</b>	<b>TOTAL</b>	<b>4,00,000/-</b>	<b>5,00,000/-</b>

(10)

- Q.6. There are two projects A & B. Each project require an investment of ₹2,00,000/-. Rank these projects according to the 'Pay Back Period' method on the basis of the following information:

**PROFIT/ INFLOWS OF CASH**

Years	Project A in ₹	Project B in ₹
1	10,000	20,000
2	20,000	40,000
3	40,000	60,000
4	50,000	80,000
5	80,000	-

(10)

- Q.7. State True or False:

- Gross profit is sales minus cost of goods sold.
- Working capital is the difference between current assets minus current liabilities.
- Average Stock is calculated:  

$$\frac{\text{Opening Stock plus closing stock}}{2}$$
- Equity share capital is also known as risk capital.
- Retaining of huge cash balances is a sound policy.

(5x1=5)

Q.8. Following are the Balance Sheets of a concern for the years 2000 and 2001. Prepare a comparative balance sheet and study/report on the financial position of the concern:

Liabilities	2000 Amount in ₹	2001 Amount in ₹	Assets	2000 Amount in ₹	2001 Amount in ₹
Share capital	6,00,000/-	8,00,000/-	Land & Building	3,70,000/-	2,70,000/-
Reserves & Surplus	3,30,000/-	2,22,000/-	Plant	4,00,000/-	6,00,000/-
Debentures	2,00,000/-	3,00,000/-	Furniture	20,000/-	25,000/-
Loan	1,50,000/-	2,00,000/-	Other fixed assets	25,000/-	30,000/-
Bills Payable	50,000/-	45,000/-	Cash & Bank	20,000/-	80,000/-
Sundry Creditors	1,00,000/-	1,20,000/-	Bills Receivable	1,50,000/-	90,000/-
Current Liabilities	6,000/-	10,000/-	Sundry Debtors	2,00,000/-	2,50,000/-
			Stock	2,50,000/-	3,50,000/-
			Pre-paid expenses	1,000/-	2,000/-
<b>TOTAL</b>	<b>14,36,000/-</b>	<b>16,97,000/-</b>	<b>TOTAL</b>	<b>14,36,000/-</b>	<b>16,97,000/-</b>

OR

Rank the following projects in the order of their desirability according to the Net Present Value Method:

Project	Year 1 - ₹	Year 2 - ₹	Year 3 - ₹	Year 4 - ₹	Year 5 - ₹
A	5000	10000	10000	3000	2000
B	20000	10000	5000	3000	2000

Initial investment:

Project A - ₹20000

Project B - ₹30000

Discount rate 10%

Present value ₹1/- @10% (discount factor) using present value tables:

Year1	Year 2	Year 3	Year 4	Year 5
.909	.826	.751	.683	.621

(15)

Q.9. Distinguish between Fund Flow Statement and Cash Flow Statement.

(10)

Q.10. Following is the Profit & Loss Account of M/s. Arbaz Hotel Ltd. for the period ending 31.03.2010. Calculate:

- (a) Gross profit ratio
- (b) Net profit ratio
- (c) Operating ratio
- (d) Administrative expenses ratio

Debit	Amount in ₹	Credit	Amount in ₹
To opening stock	1,00,000/-	By sales	5,60,000/-
To Purchases	3,50,000/-	By closing stock	1,00,000/-
To Wages	9,000/-		
To gross profit	2,01,000/-		
<b>TOTAL</b>	<b>6,60,000/-</b>	<b>TOTAL</b>	<b>6,60,000/-</b>
To Administrative expenses	20,000/-	By gross profit	2,01,000/-
To Selling & Marketing expenses	89,000/-	By interest (outside business)	10,000/-
To Non-operating expenses	30,000/-	By Profit on sale on investment	8,000/-
To Net Profit	80,000/-		
<b>TOTAL:</b>	<b>2,19,000/-</b>	<b>TOTAL:</b>	<b>2,19,000/-</b>

(10)

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