

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

(Marks allotted to each question are given in brackets)

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 31st March 2009 and 31st March 2010, prepare schedule of changes in Working Capital and Funds Flow Statement:

BALANCE SHEET AS ON 31ST 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/-
TOTAL	4,00,000/-	5,00,000/-	TOTAL	4,00,000/-	5,00,000/-

(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/-
TOTAL	14,36,000/-	16,97,000/-	TOTAL	14,36,000/-	16,97,000/-

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/-		
TOTAL	6,60,000/-	TOTAL	6,60,000/-
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/-		
TOTAL:	2,19,000/-	TOTAL:	2,19,000/-

(10)

NATIONAL COUNCIL FOR HOTEL MANAGEMENT
AND CATERING TECHNOLOGY, NOIDA
ACADEMIC YEAR – 2014-2015

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

(Marks allotted to each question are given in brackets)

Q.1. A Balance Sheet of a company is given below:

Liabilities	Amount in `	Assets	Amount in `
Equity Capital	5,00,000/-	Cash in hand	50,000/-
Reserve & Surplus	50,000/-	Fixed Assets	3,00,000/-
Loan	1,00,000/-	Stock	65,000/-
Creditors	40,000/-	Debtors	50,000/-
P & L Account	50,000/-	Goodwill	50,000/-
Provision for Taxation	25,000/-	Investment	2,50,000/-
TOTAL	7,65,000/-	TOTAL	7,65,000/-

Note: Sales for the year was `2,50,000/-

Calculate:

- Current ratio
- Fixed assets to current assets ratio
- Debt equity ratio
- Liquidity ratio
- Fixed assets turnover ratio

(5x2=10)

Q.2. What is Working Capital? Discuss the factors which determine working capital needs of a firm.

OR

Discuss the features of Financial Management.

(10)

Q.3. What do you understand by Financial Analysis and what are its objectives?

OR

Write the difference between Fund Flow Statement and Cash Flow Statement.

(10)

Q.4. Define the following terms in not more than five lines each (**any five**):

- (a) Net Profit Ratio (b) Cash Budget
(c) Trend Analysis (d) Stock Turnover
(e) Pay-back period method (f) Working Capital

(5x2=10)

Q.5. Prepare a Funds Flow Statement for the year 2013 from the following Balance Sheets:

Balance Sheets as on 31st March 2013

Liabilities	2012	2013	Assets	2012	2013
Sundry Creditors	12,000/-	14,000/-	Fixed Assets	5,50,000/-	6,50,000/-
Share Capital	5,50,000/-	6,50,000/-	Investment	12,000/-	20,000/-
Bills Payable	10,000/-	10,000/-	Cash in Hand	17,000/-	16,000/-
Provision for Tax	12,000/-	19,000/-	Sundry Debtors	15,000/-	14,000/-
Outstanding Expenses	10,000/-	7,000/-			
TOTAL	5,94,000/-	7,00,000/-	TOTAL	5,94,000/-	7,00,000/-

(10)

Q.6. Write short notes on **any two**:

- (a) DU Point Control Chart
(b) Common size income statement
(c) Financial Planning

(2x5=10)

Q.7. Differentiate between the following (**any two**):

- (a) Over Trading and Under Trading.
(b) Under Capitalisation and Over Capitalisation.
(c) Profit Maximization and Wealth Maximization

(2x5=10)

Q.8. Prepare a Statement of changes in Working Capital from the following Balance Sheets of ABC Ltd.

Liabilities	2010	2011	Assets	2010	2011
Equity Capital	5,00,000/-	5,00,000/-	Fixed Assets	6,00,000/-	7,00,000/-
Debentures	3,70,000/-	4,50,000/-	Investments	2,00,000/-	1,00,000/-
Tax Payable	77,000/-	43,000/-	Work in progress	80,000/-	90,000/-
Accounts Payable	96,000/-	1,92,000/-	Stock	1,50,000/-	2,25,000/-
Interest Payable	37,000/-	45,000/-	Bills Receivable	70,000/-	1,40,000/-
Dividends Payable	50,000/-	35,000/-	Cash	30,000/-	10,000/-
TOTAL	11,30,000/-	12,65,000/-	TOTAL	11,30,000/-	12,65,000/-

(10)

Q.9. XYZ Ltd. is considering to purchase a machine. Two machines are available A and B costing `2,50,000/-.

YEAR	A machine cash inflow	B machine cash inflow	Discount factor 8%
1	30,000	60,000	.926
2	50,000	1,00,000	.857
3	60,000	65,000	.794
4	65,000	45,000	.735
5	40,000	-	.651
6	30,000	-	.630
7	16,000	-	.683

Evaluate the two alternatives according to Net Present Value method (Cost of Capital @ 10%).

OR

State the importance of financial statement analysis. Explain **any one** technique of financial statement analysis.

(10)

Q.10. What do you mean by Financial Planning? Explain the causes of Under-capitalisation.

(10)

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**NATIONAL COUNCIL FOR HOTEL MANAGEMENT
AND CATERING TECHNOLOGY, NOIDA
ACADEMIC YEAR – 2015-2016**

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

(Marks allotted to each question are given in brackets)

Q.1. From the following Balance Sheet of M/s. XYZ Co. Ltd. for the period 31st March 2013 and 31st March 2014, you are required to prepare:

- (i) Statement of changes in the working capital;
(ii) Funds flow statement

Liabilities	31.03.2013 Rs.	31.03.2014 Rs.	Assets	31.03.2013 Rs.	31.03.2014 Rs.
Share capital	4,00,000/-	5,00,000/-	Land & Building	1,50,000/-	1,60,000/-
Creditors	1,00,000/-	65,000/-	Furniture	40,000/-	45,000/-
Profit & Loss A/c	40,000/-	60,000/-	Stock	80,000/-	1,10,000/-
			Debtors	70,000/-	60,000/-
			Cash/Bank	2,00,000/-	2,50,000/-
	5,40,000/-	6,25,000/-		5,40,000/-	6,25,000/-

(10)

Q.2. What are the different sources of raising finance for a large organisation?

OR

What are the different financial statements which are usually prepared by business organization?

(10)

Q.3. What do you understand by capital budgeting? What is its practical utility for a large hotel?

OR

“Return on investments is considered to be the master ratio which reflects the overall performance of a company’. Explain.

(10)

Q.4. Define financial management. What are the main objectives of financial management? Explain.

(10)

- Q.5. "Ratio analysis is a tool to examine the health of a business with a view to make financial results more intelligible". Explain.

(10)

OR

Write short notes on **any two**:

- Over-capitalisation
- Net present value method
- Balance sheet (liquidity format)
- Distinguish between funds flow and cash flow

(2x5=10)

- Q.6. From the following data, calculate the 'Net Present Value' of two projects viz. X&Y and suggest which of the two projects should be accepted assuming a discount rate of 10%:

Sl. No.	Particulars	Project X (Rs.)	Project Y (Rs.)
01	Initial Investment	50,000/-	60,000/-
02	Estimated Life	5 years	5 years
03	Scrap Value	1,000/-	2,000/-

The profits before depreciation and after taxes (cash flows) are as follows:

Project	Year 1	Year 2	Year 3	Year 4	Year 5
X	10,000/-	15,000/-	10,000/-	15,000/-	10,000/-
Y	10,000/-	15,000/-	15,000/-	20,000/-	15,000/-

Present value at 10% of Re.1/- is as under:

Year	1	2	3	4	5
Present value at 10% Re.1/-	0.909	0.826	0.751	0.683	0.621

(10)

Q.7. From the Balance Sheets of M/s. XYZ Hotel, you are required to prepare cash flow statement:

Liabilities	As on 31.03.2014 Rs.	As on 31.03.2015 Rs.	Assets	As on 31.03.2014 Rs.	As on 31.03.2015 Rs.
Share capital	50,000/-	70,000/-	Cash	10,000/-	5,000/-
Debentures	30,000/-	20,000/-	Debtors	15,000/-	20,000/-
Sundry Creditors	15,000/-	20,000/-	Stock	50,000/-	40,000/-
Bills Payable	5,000/-	10,000/-	Building	20,000/-	35,000/-
Profit & Loss A/c	20,000/-	25,000/-	Furniture	15,000/-	35,000/-
			Goodwill	10,000/-	10,000/-
	1,20,000/-	1,45,000/-		1,20,000/-	1,45,000/-

OR

Write short notes (**any two**):

- Explain **any two** financial statements.
- Explain objective of profit maximization.
- Deferred Revenue Expenditure (with examples)

(2x5=10)

Q.8. **BALANCE SHEET OF M/S. XYZ CO. LTD. AS ON 31.03.2015**

Liabilities	Amount (Rs)	Assets	Amount (Rs.)
Equity Share Capital	3,00,000/-	Goodwill	70,000/-
10% Debenture	2,00,000/-	Machinery	2,50,000/-
Reserves & Surplus	50,000/-	Stock	1,50,000/-
Bills Payable	20,000/-	Prepaid Expenses	25,000/-
Creditors	1,30,000/-	Marketable Securities	1,25,000/-
Outstanding Expenses	15,000/-	Debtors	30,000/-
Bank Overdraft	50,000/-	Bills Receivable	25,000/-
Provision for taxes	10,000/-	Cash in Hand	30,000/-
		Cash at Bank	70,000/-
TOTAL:	7,75,000/-		7,75,000/-

Calculate:

- Current ratio
- Acid test ratio
- Debt equity ratio
- fixed assets to net worth ratio

OR

Define working capital. What factors would you take into account in estimating the working capital needs of a large organisation?

(10)

Q.9. The Income statement of a concern are given below for the year ending 31.03.2013 and 31.03.2014. You are required to prepare comparative income statement:

Particulars	31.03.2013 Amount in Rs.	31.03.2014 Amount in Rs.
Net Sales	1,50,000/-	2,50,000/-
Cost of goods sold	50,000/-	75,000/-
Operating Expenses:		
General & Administrative expenses	20,000/-	30,000/-
Advertisement expenses	30,000/-	40,000/-
Non-operating expenses:		
Interest paid	10,000/-	25,000/-
Income tax	20,000/-	40,000/-

(10)

Q.10. State True or False:

- Ratio analysis helps in decision making process.
- Debt equity ratio is to measure outsiders funds to shareholders funds.
- Working capital = current assets minus current liabilities.
- Non-fund items are added back to profits & loss account in order to know funds from operation.
- Net present value method recognizes the time value of money.
- Pay back method is not a sample method to calculate.
- Depreciation is calculated on fixed assets as well as on current assets.
- Equity share holders and preference shareholders share profit equally.
- Gross profit ratio = $\frac{\text{Gross profit}}{\text{Net profit}} \times 100$
- Current ratio is = $\frac{\text{Current liabilities} \times 100}{\text{Current assets}}$

(10x1=10)

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ACADEMIC YEAR – 2016-2017

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

(Marks allotted to each question are given in brackets)

Q.1. Explain the objectives and functions of financial management.

OR

How is the finance function organised? What are the functions that finance department performs in a large organisation?

(10)

Q.2. Define capital structure. Explain the principles, while forming the capital structure of the organisation.

OR

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

(10)

Q.3. Explain ratio analysis types with the help of a chart and its importance.

OR

Write short notes on:

- (a) Over capitalisation
- (b) Indifference point
- (c) Comparative and common size income statements

(10)

Q.4. Write short notes on:

- (i) Payback period
- (ii) Cash flow statements
- (iii) Average rate of return
- (iv) Profit maximisation

(4x2 ½ =10)

Q.5. Balance Sheet of a company as on 31.12.2010 is as follows:

Liabilities	2009	2010	Assets	2009	2010
Share capital	2,00,000/-	2,50,000/-	Fixed assets	3,50,000/-	4,75,000/-
Retained earnings	1,60,000/-	3,00,000/-	Stock	1,00,000/-	95,000/-
Premium on shares	-	5,000/-	Bills receivable	43,000/-	50,000/-
Accumulated depreciation	80,000/-	60,000/-	Pre-paid expenses	4,000/-	5,000/-
Debentures	60,000/-	-	Cash balance	15,800/-	10,200/-
Accounts payable	37,800/-	40,200/-	Commission on shares	25,000/-	20,000/-
TOTAL:	5,37,000/-	6,55,200/-		5,37,000/-	6,55,200/-

Additional information:

- (i) Net income for the year Rs.1,40,000/-
- (ii) Fixed assets purchases was made during the year at a cost of Rs.1,65,000/- and fully depreciated machinery costing Rs.40,000/-
- (iii) Depreciation for the year Rs.20,000/-
- (iv) Income tax paid was Rs.40,000/-

You are required to prepare:

- (a) A statement of schedule of changes in working capital
- (b) Sources and application of funds

(15)

Q.6. A project cost Rs.25,000/-. The net profits before depreciation and tax, and tax rate 20% for the five years. Following are the expected cash flows to be:

Year	Project
1	5,000/-
2	6,000/-
3	7,000/-
4	8,000/-
5	10,000/-

You are required to calculate payback period.

(10)

Q.7. From the following information, prepare comparative balance sheet and give your interpretations:

Liabilities	2000 Amount in Rs.	2001 Amount in Rs.	Assets	2000 Amount in Rs.	2001 Amount in Rs.
Share Capital	5,00,000/-	8,00,000/-	Land & Building	4,30,000/-	3,70,000/-
Reserves and surplus	4,30,000/-	2,22,000/-	Plant	3,70,000/-	5,00,000/-
Debentures	1,00,000/-	2,00,000/-	Furniture	25,000/-	30,000/-
Loan	2,50,000/-	3,00,000/-	Other fixed assets	20,000/-	25,000/-
Bills payable	80,000/-	45,000/-	Cash and Bank	25,000/-	90,000/-
Sundry creditors	1,00,000/-	1,10,000/-	Bills receivable	1,45,000/-	80,000/-
Current liabilities	6,000/-	20,000/-	Sundry debtors	2,50,000/-	3,50,000/-
			Stock	2,00,000/-	2,50,000/-
			Pre-paid expenses	1,000/-	2,000/-
TOTAL:	14,66,000/-	16,97,000/-	TOTAL:	14,66,000/-	16,97,000/-

(10)

Q.8. A company has to choose one of the following two mutually exclusive projects A&B. Project A requires Rs.20,000/- and Project B requires Rs.15,000/- as initial investment. The firms cost of capital is 10%. Suggest which project should be accepted under NPV method. Following are the net cash flows:

Q.8. A company has to choose one of following two mutually exclusive projects A & B. Project A requires Rs.20,000/- and Project B requires Rs.15,000/- as initial investment. The firms cost of capital is 10%. Suggest which project should be accepted under NPV method, the given are net cash flows as follows:

Year	1	2	3	4	5
Project A	4200	4800	7000	8000	4000
Project B	4200	4500	4000	5000	4000

Calculate: net present value

Present value Rs.1/- @ 10% (discount factor) using present value tables

Year 1	Year 2	Year 3	Year 4	Year 5
.909	.826	.751	.683	.621

(10)

Q.9. Tyre manufacturing company has drawn up the following profit and loss account for the year ended:

Calculate:

- Gross Profit Ratio
- Net Profit Ratio

- (c) Operating Ratio
(d) Operating Profit Ratio

Particulars	Rs.	Particulars	Rs.
To opening stock	26,000/-	By Sales	1,60,000/-
To purchases	80,000/-	By Closing Stock	38,000/-
To wages	24,000/-		
To manufacturing expenses	16,000/-		
To gross profit c/d	52,000/-		
	1,98,000/-		1,98,000/-
To selling & distribution expenses	4,000/-	By gross profit b/d	52,000/-
To administrative expenses	22,800/-	By commission received	4,800/-
To value of furniture lost by fire	800/-		
To general expenses	1,200/-		
To net profit c/d	28,000/-		
	56,800/-		56,800/-

(10)

Q.10. Fill in the blanks:

- (a) Expenditure incurred on research is an example of _____ . (Deferred revenue expenditure/partly capital expenditure).
- (b) Capital structure means the pattern of _____ in the firm (capital employed/dividend).
- (c) Capital budgeting is related to _____ (sales/capital expenditure).
- (d) Quick assets = current assets (minus) _____ (debtors/stock).
- (e) Depreciation means reduction in the value of _____ due to usage and efflux of time (current assets/fixed assets).

(5x1=5)
