

NED UNIVERSITY OF ENGINEERING AND TECHNOLOGY, KARACHI
MASTER OF COMPUTER SCIENCE AND INFORMATION TECHNOLOGY
EXAMINATION -2007

Dated: 08-12-2007

Max Marks: 70

Time: 3 Hours

FINANCIAL MANAGEMENT
(HS-505)

Instructions:

- i) All questions carry equal marks**
- ii) Solve any five questions**
- iii) Give supporting calculations where necessary**
- iv) Elaborate all assumptions where necessary**

Q-1

14 Marks

a) Mark T for true statements and F for false statements. Use answer sheet.

- i) Business organizations are welfare based organizations established for general public.**
- ii) Accounting is a set of rules to govern the administrative matters of any organization.**
- iii) Preparation of Financial Information is the main objective of the Accounting.**
- iv) Financial information includes Balance Sheet, Income Statement, Cash Flow and Retained Earning.**
- v) Major information provided by Balance Sheet is Income/ (loss) for any accounting period.**

b) Fill in the blanks:

- i) Any increase in asset account is recorded on ----- side of that account.**
- ii) Any increase in liability account is recorded on ----- side of that account.**
- iii) Any decrease in expenses account is recorded on -----side of that account.**
- iv) Any decrease in revenue account is recorded on ----- side of that account.**
- v) In normal position all asset accounts have----- balance.**

c) Choose the correct option

i) The owner's net worth can be calculated from a balance following equation.

A- Assets - Expenses

B- Total Assets – Total Liabilities

C- Total Assets – Revenue

ii) Net Income is reported by:

A) Balance Sheet

B) Income Statement

C) Cash Flow Statement

iii) Financial Position is reported by:

A) Balance Sheet

B) Income Statement

C) Cash Flow Statement

D) Non of above

iv) Main job of Accounting system is:

A) Payment of Dividend

B) Payment of Salaries

C) Preparation of Financial Information

D) Non of above

V) Owners' related account is:

i. Liability

ii. Assets

iii. Expenses

iv. Capital/Shares Capital

Q2.

Marks 14

National Foods Company: Balance Sheet as of December 31st, 2006 .

Fixed Assets	294,000	Long Term Liabilities	
		Long Term Debt	48,000
Current Assets		Current Liabilities	
Inventories	318,000	Other Current Liabilities	42,000
Receivable	132,000	Notes Payable	90,000
Bank	66,000	Accounts Payable	90,000
Cash	<u>90,000</u>	Total Current Liabilities	222,000
	<u>606,000</u>	Total Liabilities	270,000
Total Assets	900,000	Retained Earnings	402,000
		Common Stocks	228,000
		Total Stockholders Equity	<u>630,000</u>
		Total Liabilities & Equity	900,000

Required:

- i) **Current Ratio**
- ii) **Inventory Turn Over**
- iii) **Debt Equity Ratio**
- iv) **Quick Assets or Acid Test Ratio**
- v) **Fixed Asset Turn Over**
- vi) **Received Inventory**
- vii) **Total Assets Turn Over**

Marks (6)

Q3:

- a) **Define the term Market with practical examples?**
- b) **Write Short Notes on any three of the following.**
 - i) **SECP**
 - ii) **State Bank**
 - iii) **Stock Exchange**
 - iv) **Mutual Funds**
 - v) **Risk & Retunes**
 - vi) **Markets in Pakistan**

Q-4

14 Marks

What role markets can play in the economic development of Pakistan? List names and details of Markets known to you.

Q-5

14 Marks

Fill in the blanks for each of the following independent cases:

Case	(a) Selling Price Per Unit	(b) Variable Cost per Unit	(c) Total Units Sold	(d) Total Contribution Margin	(e) Total Fixed Cost	(f) Net Income
1.	\$25	\$ ---	120,000	\$720,000	\$640,000	\$ ----
2.	10	6	100,000	-----	320,000	-----
3.	20	15	-----	100,000	-----	15,000
4.	30	20	70,000	-----	-----	12,000
5.	-----	9	80,000	160,000	110,000	-----

Q-6

14 Marks

St. Viccent Hospital has overall Variable costs of 30% of total revenue and fixed cost of \$42 million per year.

1. Compute the break- even point expressed in hotel revenue.
2. A patient-day is often used to measure the volume of the hospital. Suppose there are going to be 50,000 patient-days next year. Compute the average daily revenue per patient necessary to break even.

Q-7

14 Marks

The Holiday Motel has annual fixed costs applicable to its rooms of \$ 3.2 million for its 400-rooms motel, average daily room rent of \$ 50, and average variable cost of \$ 10 for each room rented. It operates 365 days per year.

1. How much net income on rooms will be generated (1) if the motel is completely full throughout the entire year and (2) if the motel is half full?
2. Compute the break-even point in number of rooms rented. What percentage occupancy for the year is needed to break even?

Q-8

14 Marks

The Pippin hotel in Chicago has 400 rooms, with the fixed cost of \$ 350,000 per month during the busy season. Room rates average \$ 62 per day with variable cost of \$ 12 per rented room per day. Assume a 30-day month.

- 1. How many rooms must be occupied per day to break even?**
- 2. How many rooms must be occupied per month to make a profit of \$ 100,000?**
- 3. Assume that the Pippin hotel has these average contribution margins per month from use of space in its hotel:**

Leased shops in hotel	\$60,000
Meals served, conventions	30,000
Dining room and coffee shop	30,000
Bar and cocktail lounge	20,000

Fixed costs for the total hotel are \$ 350,000 per month. Variable Costs are \$12 per day per rented room. The hotel has 400 rooms and averages 80% occupancy per day. What average rate per day must be hotel charge to make a profit of \$100,000 per month?