## Mid-West University <br> Examinations Management Office

Birendranagar, Surkhet
End Semester (Alternative/Physical) Examination-2078
Bachelor of Travel and Tourism Management (BTTM)
Semester - IV

Subject: Business Finance
Course Code: BTTM 341
Full Marks: 50 Pass Marks: 25
Time: 3 Hours

You are required to answer in your own words as far as applicable.
Attempt all of the following Questions:

1. How is the wealth maximization superior to profit maximization? Explain.
2. The ledger balance of a newly establish business is given below:

| Capital | 400000 | Interest on loan | 5000 |
| :--- | ---: | :--- | ---: |
| $10 \%$ loan | 200000 | Discount allowed | 3000 |
| Fixed assets | 20000 | Salaries | 72000 |
| Purchase | 250000 | Office expenses | 30000 |
| Sales | 400000 | Rent | 50000 |
| Debtors | 20000 | Cash at bank | 420000 |
| Creditors | 50000 |  |  |

Adjustments:
a) Closing stock Rs. 50000
c) Prepaid rent Rs. 2000
b) Interest on loan payable for half year
d) Depreciation on fixed asset @ $10 \%$ p.a.

Required: Income statement
[10]
3. The balance sheet of a company as on $31^{\text {st }}$ Dec, last year was as follows:

| Capital and liabilities | Amount | Assets | Amount |
| :--- | ---: | :--- | ---: |
| Equity shares of Rs. 100 each | 400000 | Plant and machinery | 250000 |
| Retained earnings | 60000 | Furniture | 140000 |
| $10 \%$ debenture | 40000 | Account receivable | 130000 |
| Bills payable | 50000 | Inventories | 70000 |
| Account payable | 100000 | Cash | 20000 |
|  |  | Bills receivables | 30000 |
|  |  | Preliminary expenses | 10000 |
|  | 650000 |  | 650000 |

Additional information:
Cost of goods sold for the year was Rs. 650000
Net profit after tax Rs. 60000
Required: a) Current ratio
b) Liquid ratio
c) Debt equity ratio
d) Stock turnover ratio
e) Earnings per share

## OR

Consider the following information,

| Probability | Return on Stock A | Return on Stock B |
| :--- | :--- | :--- |
| 0.20 | $5 \%$ | $30 \%$ |
| 0.50 | $15 \%$ | $20 \%$ |
| 0.30 | $25 \%$ | $10 \%$ |

## Required:

a. Expected return and risk on Stock A
b. Expected return and risk on Stock B
c. Covariance and correlation between Stock A and Stock B
4. The balance sheet of ABC Company is given below:

| Capital and liabilities | (Rs.) <br> (Rs.) | 2019 <br> (Rs.) | Assets | 2018 <br> (Rs.) | 2019 <br> (Rs.) |
| :--- | ---: | :--- | :--- | ---: | ---: |
| Share capital | 375000 | 450000 | Machinery net | 400000 | 570000 |
| Share premium | 37500 | 45000 | Furniture net | 50000 | 30000 |
| Loan | 75000 | 37500 | Stock | 37500 | 75000 |
| Outstanding wages | 7500 | 6000 | Debtors | 110500 | 74000 |
| Creditors | 105000 | 136500 | Prepaid insurance | 2000 | 1000 |
| Retained earning | 75000 | 112500 | Cash | 75000 | 37500 |
|  | 675000 | 787500 |  | 675000 | 787500 |

Additional information:
Sales for the current year Rs. 380000
Cost of goods sold Rs. 190000
Administrative expenses Rs. 75000
Purchase of machinery Rs. 230000
Furniture costing Rs. 15000 was sold at Rs. 17500
Dividend paid Rs. 15000
Required: Cash Flow Statement
[10]
5. You are a financial analyst for the Mechi Tea Factory. The director of capital budgeting has asked you to analyze two proposed capital investments: Project X and Project Y. Each project has a cost of Rs. 100000 and the cost of capital for each project is $10 \%$. The expected net cash flows are as follows:

| year | 0 | 1 | 2 | 3 | 4 |
| ---: | ---: | ---: | ---: | ---: | ---: |
| Project X | Rs. $(100000)$ | 35000 | 35000 | 35000 | 35000 |
| Project Y | Rs. $(100000)$ | 30000 | 40000 | 25000 | 35000 |

a. Evaluate the projects on the basis of Net present Value.
b. Calculate internal rate of return of project X and project Y

## OR

Define financial intermediary and describe the different types of financial intermediaries. [10]

## The End

