Mid-West University

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:

5×10=50

1. How is the wealth maximization superior to profit maximization? Explain.

[10]

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 31st 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**

[10]

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 [4]

b. Expected return and risk on Stock B [4]

c. Covariance and correlation between Stock A and Stock B [2]

4. The balance sheet of ABC Company is given below:

Capital and liabilities	2018	2019	Assets	2018	2019
	(Rs.)	(Rs.)		(Rs.)	(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. [4]

b. Calculate internal rate of return of project X and project Y [6]

OR

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

The End