SG – 608

VIII Semester B.H.M. Examination, September/October 2021
(Repeaters) (2015 – 16 and Onwards)
HOTEL MANAGEMENT
Paper – 8.4 : Financial Management in Hotels

Time : 3 Hours Max. Marks : 100

Instructions : *i) Number the answers correctly.*
ii) Write legibly the answers.

SECTION – A

1. Answer **any eight** of the following. **(8×2=16)**
   a) Define Financial Management.
   b) What is operating leverage ?
   c) Define Assets.
   d) What do you mean by Capital structure ?
   e) State the formula for stock turnover ratio.
   f) What do you mean by Capital Budgeting ?
   g) Define Leverage.
   h) Opening and closing balances of debtors are ₹40,000 and ₹ 60,000 respectively. Debtors velocity is 2.4. Calculate credit sales.
   i) What is cash flow statement ?
   j) Define Financial plan.

SECTION – B

Answer **any three** of the following. **(3×8=24)**

2. Explain the scope of financial management.

3. Explain the principles governing a sound financial planning.

4. A firm has a sales of ₹ 75,00,000, variable cost of ₹ 42,00,000 and fixed cost of ₹ 6,00,000. It has a debt of ₹ 45,00,000 at 9% p.a. and cavity of ₹ 55,00,000. Calculate the operating, Financial and Combined leverage of the firm. Also calculate the new EBIT, if the sales drop to ₹ 50,00,000.

5. A limited is considering investing in a project requiring a capital outlay of ₹ 2,40,000. Forecast of annual income after depreciation but before tax is as follows :

Year	₹
1	1,00,000
2	1,00,000
3	80,000
4	80,000
5	40,000

Income tax at 50% of net income. Calculate ARR.

6. Current ratio is 3.75 : 1, working capital is ₹ 3,57,500. Calculate the amount of current assets and current liabilities.

SECTION – C

Answer **any four** of the following : **(4×15=60)**

7. Explain the goals of financial management.

8. ABC Company Ltd. is considering the purchase of a machine. Two machines P and Q each costing ₹ 50,000 is available. In comparing the profitability of these machines a discount rate of 10% is to be used. Earnings after taxes are expected to be as follows :

Year	Machine P	Machine Q
	₹	₹
1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

The following are the present value factors at 10%

Year	1	2	3	4	5
PV Factor at 10%	0.909	0.826	0.751	0.683	0.621

Calculate :

i) The payback period

ii) The Accounting Rate of Return

iii) The Net present value.

9. A Company Ltd. has a share capital of ₹1,00,000 divided into equity shares of ₹10 each. It has major expansion programme requiring an investment of another ₹50,000. The management is considering the following alternatives for raising this amount :

i) Issue of 5000 equity shares of ₹10 each

ii) Issue of 5000, 12% preference shares of ₹10 each

iii) Issue of 10% debentures of ₹50,000.

The company's present EBIT is ₹30,000 p.a. You are required to calculate the effect of each of the above modes of financing on the EPS presuming.

a) EBIT continues to be the same even after expansion.

b) EBIT increases by ₹10,000.

c) Assume tax liability is 50%.

10. Explain the factors determining the capital structure.

11. A firm's cost of capital is 10%. It is considering 2 mutually exclusive projects X and Y. The details are given below.

	Project X	**Project Y**
Investment	**2,80,000**	**2,80,000**
Cash Inflow Year		
1	40,000	2,40,000
2	80,000	1,60,000
3	1,20,000	80,000
4	1,80,000	40,000
5	2,40,000	40,000

Calculate :

1) PBP

2) NPV.

12. Following is the Balance sheet of Ranjith Ltd. Balance sheet as on 31-3-2020.

Liabilities	₹	**Assets**	₹
Equity share capital	1,00,000	Cash in Hand	2,000
6% preference share capital	1,00,000	Cash at Bank	10,000
7% Debenture	40,000	Bills Receivable	30,000
8% Public Debt (long term)	20,000	Investments	20,000
Bank overdraft	40,000	Debtors	70,000
Creditors	60,000	Stock	40,000
Outstanding Expenses	7,000	Furniture	30,000
Proposed dividend	10,000	Machinery	1,00,000
General Reserve	1,50,000	Land and Building	2,20,000
Provision for taxation	20,000	Preliminary Exp.	45,000
Profit and loss A/c	20,000		
Total	**5,67,000**	**Total**	**5,67,000**

You are required to calculate

1) Current ratio
2) Liquid ratio
3) Debt equity ratio
4) Proprietary ratio.