Roll. No. _________________

International Institute of Health Management Research (IIHMR), New Delhi.
POSTGRADUATE DIPLOMA HOSPITAL AND HEALTH MANAGEMENT
(Batch 2017-2019)
Financial Management and Accounting
(CC-611)
Supplementary End Term Examination

Time allowed: 3 hrs **Max. Marks: 100**

(Answer any five questions)

Each question carries 20 marks **(5 x 20 = 100 marks)**

1. From the following information, prepare final accounts of RK Medical Chain, Mumbai for year ending 31st March 2017.

	(Rs.)		(Rs.)
Capital	228800	Stock (1st April 2014)	38500
Drawings	13200	Wages	35200
Equipments	99000	Sundry creditors	44000
Purchase	110000	Internet charges	1540
Purchase return	1100	Insurance	1760
Salaries	13200	Gas and fuel	2970
Office Expenses	2750	Bad debts	660
Office Furniture	5500	Office rent	2860
Discount allowed	1320	Freight	9900
Sundry debtors	29260	Loose tools	2200
Loan to employee (Mr. A) at 10% p.a. balance on 1st April 2014	44000	Provision for bad and doubtful debts	880
Cash at bank	29260	Lighting	1100
Bills payable	5500	Interest on loan employee (Mr. A)	1100
Freehold property	66000	Cash in hand	2640
		Sales	231,440

Additional Information:

1. Stock on 31st March 2017 was valued at Rs. 72600.
2. New equipment was installed during the year costing Rs. 15,400 but it was not recorded in the books as no payment was made for it. Wages Rs. 1100 paid for its erection has been debited to wage account.
3. Depreciation on equipment by 33 1/3 %; furniture by 10%; freehold property by 5%.
4. Loose tools were valued at Rs. 1760 on 31st March 2017.
5. Of the sundry debtors Rs. 600 are bad and should be written off.
6. Maintain a provision of 5% on sundry debtors for doubtful debts.
7. The manager is entitled to a commission of 10% of the net profit after charging such commission.

2. What are the various sources of Health Financing in India? Write a brief note on Out of Pocket Expenditure.

3. The Delhi Drug Manufactures Ltd is producing and selling 5000 units per year. Cost and profits data for the current capacity are as follows:

Particulars	Amount (Rs.)	Amount (Rs.)
Selling price per unit		400
Less: Variable cost per unit-		
Materials	150	
Labor	60	
Factory overhead	30	240
Less: Fixed cost per unit-		
Manufacturing	50	
Selling and administration	70	120
Profit per unit		40

There is little competition for the product, and demand exceeds supply. A market survey at a cost of Rs. 20,000 was conducted. It indicates that an additional 1000 units could be sold each year for the next 4 years.

The machinery and equipment to produce the additional units would require an initial investment of Rs. 200,000 and working capital of Rs. 20,000. Fixed costs, excluding depreciation of new equipment, would increase as follows:

Indirect manufacturing cost- Rs. 30,000 per year

Selling and administrative cost – Rs. 5000 per year

Any changes that might occur in the unit variable costs would be covered by adjustments in the selling price of the product. The tax relevant depreciation on the block of assets to which the machine belongs is 25 percent. No scrap value is expected. The tax and required rate of return are 35 percent and 20 percent respectively.

The directors are reluctant to authorize the increases in capacity since they doubt whether the additional profits promised over a short period justify investment in new machinery and equipment, and they have asked you to supply quantitative data to help them reach a decision. You are required to evaluate the proposal and prepare a report for submission to the directors with your recommendations.

4. From the following information relating to ABC bros. you are required to find out – P/V ratio, BEP, Profit, Margin of Safety and Volume of sales to earn a profit of Rs. 120,000.

Total Fixed costs Rs. 45,000

Total Variable costs Rs. 75,000

Total Sales Rs. 200,000

5. PC & Co., wishes to prepare cash budget from January. Prepare a cash budget for the first six months from the following estimated revenue and expenses:

Month	Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)	Production Overheads (Rs.)	Selling & Distribution Overheads (Rs.)
January	10,000	10,000	2,000	1,600	400
February	11,000	7,000	2,200	1,650	450
March	14,000	7,000	2,300	1,700	450
April	18,000	11,000	2,300	1,750	500
May	15,000	10,000	2,000	1,600	450
June	20,000	12,500	2,500	1,800	600

Additional Information:

a. Cash balance on 1st January was Rs.5000. New machinery will be installed worth of Rs. 10,000 on credit, to be repaid by two equal installments in March and April.
b. Sales commission at 5% on total sales is to be paid within a month of following actual sales.
c. Rs. 5000 being the amount of 2nd call may be received in March. Share premium amounting to Rs. 1000 is also obtained with the 2nd call.
d. Period of credit allowed by suppliers – 2 months
e. Period of credit allowed to customers – 1 month.
f. Delay in payment of overheads -1 month.
g. Delay in payment of wages – ½ month.
h. Assume cash sales to be 50% of total sales.

6. TATA Motors produces 450 cars a month. It buys the tires for cars from a supplier at a cost of Rs.2000 per tire. The company's inventory carrying cost is estimated to be 15% of cost and the ordering is Rs.5000 per order.
   a. Calculate the EOQ.
   b. What is the number of orders per year?
   c. Compute the average annual ordering cost.
   d. Compute the average inventory.
   e. What is the average annual carrying cost?
   f. Compute the total cost.

7. ABC Company has received 2 investment proposals. The after-tax cash flows for each are tabulated below. If the cost of capital is 12 percent, rank them based on payback period, NPV and PI. Comment on the results.

Year	Project - X	Project - Y
0	(Rs. 200,000)	(Rs. 360,000)
1	46,000	140,000
2	60,000	160,000
3	78,000	178,000
4	85,000	192,000