Roll. No. ________________

International Institute of Health Management Research (IIHMR), New Delhi.
POSTGRADUATE DIPLOMA HOSPITAL AND HEALTH MANAGEMENT
(Batch 2019-2021)

Financial Management & Accounting

CC - 611

End Term Examination

Time allowed: 3 hrs **Max. Marks: 70**

(Answer any 5 questions. All questions carry equal marks)

1. IIHMR is trying to decide between two alternate Order Plans for its inventory of a certain item. Irrespective of the plan to be followed, demand for the item is expected to be 1,000 units annually. Under Plan 1st, IIHMR would use a teletype for ordering; order costs would be Rs. 40 per order. Inventory holding costs (carrying cost) would be Rs. 100 per unit per annum. Under Plan 2nd order costs would be Rs. 30 per order. And holding costs would 20% and unit Cost is Rs. 480. Find out EOQ and Total Inventory Cost than decide which Plan would result in the lowest total inventory cost?

2. Prepare Cash Budget of FMRI for April, May and June 2019 in a columnar form using the following information:

Month	Sales	Purchase	Wage	Exp.
Jan. (Actual)	80,000	45,000	20,000	5,000
Feb. (Actual)	80,000	40,000	18,000	6,000
March (Actual)	75,000	42,000	22,000	6,000
April Budget	90,000	50,000	24,000	6,000
May Budget	85,000	45,000	20,000	6,000
June Budget	80,000	35,000	18,000	5,000

You are further informed that:
(a) 10% of purchase and 20% of Sale are for cash
(b) The average collection period of FMRI is 1/2 month and credit purchase is paid off regularly after one month
(c) Wages are paid half monthly and the rent of Rs. 500 excluded in expense is paid monthly
(d) Cash and Bank Balance on April 1, was Rs. 15,000 and FMRI wants to keep it on end of every month below this figure, the excess cash being put in fixed deposits.

3. Write a brief note on PM JAY. What is it popularly called as? Why is Out of Pocket Expenditure considered as worst form of healthcare financing? Enumerate all the healthcare financing mechanisms available in India.

4. The National Company has just been formed. They have a patented process which will make them the sole suppliers of Product A. During the first year the capacity of their plant will be 9,000 units and this is the amount they will be able to sell. Their costs are:
   Direct Labor = Rs.15 per unit
   Raw material = Rs.5 per unit
   Other variable costs = Rs.10 per unit
   Fixed costs = Rs.2,40,000
   (a). If the company wishes to make a profit of 2,10,000 during the first year, what should be the selling price? What is the contribution margin at this price?
   (b). If at the end of first year, they wish to increase their volume and an increase of Rs. 1,00,000 in the annual fixed costs will increase their capacity to 50,000 units, how many units will they have to sell to realize a profit of Rs. 7,60,000, if their selling price is Rs. 70 per unit and no other costs change, except that an investment of Rs. 5,00,000 in advertising is needed, with a view to achieve this end?

5. Needham Pharmaceuticals has a profit margin of 3% and an equity multiplier of 2.0. Its sales are Rs. 100 million and it has total assets of Rs. 50 million. What is its ROE?

6. Given the discount rates and the future cash flows of each project, which projects should be accepted using profitability index?

Cash Flows	*Project A*	*Project B*	*Project C*	*Project D*
Year zero	-$1,500,000	-$1,500,000	-$2,000,000	-$2,000,000
Year one	$350,000	$400,000	$700,000	$200,000
Year two	$350,000	$400,000	$600,000	$400,000
Year three	$350,000	$400,000	$500,000	$600,000
Year four	$350,000	$400,000	$400,000	$800,000
Year five	$350,000	$400,000	$300,000	$1,000,000
Discount Rate	4%	8%	13%	18%

7. The following trial balance for IIHMR is available at the end of 2019.

Accounts payable for goods	132,000
Accounts payable for services	40,000
Accounts receivable, bill of exchange	10,000
Accumulated depreciation of constructions	30,000
Advances to suppliers	12,000
Called subscribed capital receivable	3,000
Capital grants	40,000
Capital stock	150,000
Cash	84,150
Cash equivalents	500,000
Constructions	120,000
Expenses paid in advance	5,500
Impairment of constructions	6,000
Impairment of inventories of other supplies	400
Income for the year	308,750
Interest payable to credit institutions	3,000
Inventories of other supplies	1,500
Land	140,000
Provisions for other responsibilities	20,000
Salary paid in advance	3,000
Short-term debt with credit institutions	150,000
Short-term holdings in equity	6,000
VAT payable	5,000

Prepare the Balance Sheet.