

BUSINESS & FINANCE

Time allowed-2 hours

Total marks-100

[N.B. - *The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the way in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.*)]

- | | | Marks | | | | | | | | | | | | |
|----------|--|-------|--------|---------|--------|----------|--------|--------|--------|--------|-------|-------|--------|--|
| 1 | a) Explain the term 'hierarchy of needs' as described by Abraham Maslow. | 3 | | | | | | | | | | | | |
| | b) Describe the theory of X and Y by McGregor. | 3 | | | | | | | | | | | | |
| | c) Explain about the 4 P's of marketing mix. | 4 | | | | | | | | | | | | |
| 2 | a) What is budgetary control ? | 3 | | | | | | | | | | | | |
| | b) Omnicon Limited purchases a chemical and refines it before onward sale. Budgeted sales of the refined chemical are as follows: | 7 | | | | | | | | | | | | |
| | <table style="width: 100%; border-collapse: collapse;"><thead><tr><th style="width: 60%;">Month</th><th style="width: 40%;">Litres</th></tr></thead><tbody><tr><td>January</td><td style="text-align: right;">40,000</td></tr><tr><td>February</td><td style="text-align: right;">50,000</td></tr><tr><td>March</td><td style="text-align: right;">30,000</td></tr></tbody></table> | Month | Litres | January | 40,000 | February | 50,000 | March | 30,000 | | | | | |
| Month | Litres | | | | | | | | | | | | | |
| January | 40,000 | | | | | | | | | | | | | |
| February | 50,000 | | | | | | | | | | | | | |
| March | 30,000 | | | | | | | | | | | | | |
| | i) The target month-end inventory of unrefined chemical is 30% of the chemical needed for the following month's budgeted production. | | | | | | | | | | | | | |
| | ii) The targeted month-end inventory of refined chemical is 30% of next month's budgeted sale. | | | | | | | | | | | | | |
| | Calculate the budgeted purchases of unrefined chemical for the month of January. | | | | | | | | | | | | | |
| 3 | a) What is discounted cash flow? | 3 | | | | | | | | | | | | |
| | b) HHH Ziper Ltd. is considering a long-term capital investment project. The project will require an investment of Tk.1,20,000 and it will have a useful life of 4 years. Annual net income for the project is expected to be as follows: | 7 | | | | | | | | | | | | |
| | <table style="width: 100%; border-collapse: collapse;"><thead><tr><th style="width: 60%;"></th><th style="width: 40%;">Taka</th></tr></thead><tbody><tr><td>Year 1</td><td style="text-align: right;">12,000</td></tr><tr><td>Year 2</td><td style="text-align: right;">10,000</td></tr><tr><td>Year 3</td><td style="text-align: right;">8,000</td></tr><tr><td>Year 4</td><td style="text-align: right;">6,000</td></tr><tr><td>Total</td><td style="text-align: right;">36,000</td></tr></tbody></table> | | Taka | Year 1 | 12,000 | Year 2 | 10,000 | Year 3 | 8,000 | Year 4 | 6,000 | Total | 36,000 | |
| | Taka | | | | | | | | | | | | | |
| Year 1 | 12,000 | | | | | | | | | | | | | |
| Year 2 | 10,000 | | | | | | | | | | | | | |
| Year 3 | 8,000 | | | | | | | | | | | | | |
| Year 4 | 6,000 | | | | | | | | | | | | | |
| Total | 36,000 | | | | | | | | | | | | | |
| | Depreciation is computed by the straight-line method with no salvage value. The company's cost of capital is 12% and the present value of future inflows @ 12% are as follows: a) Yr.1: .89286, b) Yr.2: .79719, c) Yr.3: .71178, d) Yr.4: .63552 | | | | | | | | | | | | | |
| | Requirement: | | | | | | | | | | | | | |
| | (i) Compute Net Present Value. | | | | | | | | | | | | | |
| | (ii) Should the project be accepted? | | | | | | | | | | | | | |
| 4 | a) What is receivables management? How an organisation controls its receivables? | 3 | | | | | | | | | | | | |
| | b) S&P Ltd. has monthly sales of TK.20,000. 25% of receivables are paid within one month of a sale, and 70% are paid within two months, but 5% of receivables are never paid. S&P Ltd. proposes offering a 3% discount to receivables settling invoices within one month of the invoice date. As a result, monthly sales are predicted to rise to TK.25,000, and 50% of trade receivables will be paid within one month. 44% will be paid within two months but irrecoverable debts will rise to 6%. All sales are invoiced at the end of each month. The discount will be offered for all invoices issued from Month 1. By how much will total cash inflows from trade receivables in Months 1 and 2 change as a result, and what will be the effect on profit? | 7 | | | | | | | | | | | | |
| 5. | i) Define business risk. | 3 | | | | | | | | | | | | |
| | ii) Why risk identification is important as one of the means of risk management process? | 3 | | | | | | | | | | | | |
| | iii) Distinguish between risk assessment and risk measurement. | 4 | | | | | | | | | | | | |
| 6 | i) What is internal control? | 4 | | | | | | | | | | | | |
| | ii) Distinguish between the responsibility of Board of Directors and Management of the company with regards to maintaining effective internal control. | 6 | | | | | | | | | | | | |

7. i) What is the theory of cross elasticity of demand? 4
 ii) Calculate cross elasticity of demand
 a. If the price of tea increases 10% and demand of coffee increase 15%. 3
 b. If the price of sugar increases 10% and demand of coffee decrease 5%. 3
8. a) What is supply chain management (SCM)? 5
 b) Explain different stages of product life cycle. 5
9. Following are the financial information of XYZ Limited. 20

Income Statement of XYZ Limited
for the year ended 31 Dec.2013

	2013	2012
	<u>Taka</u>	<u>Taka</u>
Revenue	3,095,576	1,909,051
Cost of sales	2,402,609	1,441,950
Gross profit	692,967	467,101
Other income	744	2,782
Admin expenses	333,466	222,872
Finance cost	18,115	21,909
Profit before tax	342,130	225,102
Tax	74,200	31,272
Profit for the year	267,930	193,830
Dividend per share	1.40	1.00
Earnings per share	12.76	9.23
Market price per share	100	75

Balance Sheet of XYZ Limited
as at 31 Dec.2013

	2013	2012
	<u>Taka</u>	<u>Taka</u>
Assets:		
Non-current assets:		
Tangible assets	802,180	656,071
Current assets:		
Inventory	64,422	86,550
Receivables	1,002,701	853,441
Cash in hand	1,327	68,363
Total current assets	1,068,450	1,008,354
Total assets	1,870,630	1,664,425
Equity and Liabilities:		
Equity:		
Ordinary shares @Tk.10 each	210,000	210,000
Share premium account	48,178	48,178
Retained earnings	630,721	393,791
Non- current liabilities:		
10% Loan notes	100,000	100,000
Current liabilities	881,731	912,456
Total equity and liabilities	1,870,630	1,664,425

From the above information calculate the followings:

- a) Current Ratio.
- b) Quick Ratio.
- c) Asset Turnover Ratio.
- d) ROCE.
- e) Debt Equity Ratio.
- f) Gearing Ratio.
- g) P/E Ratio.
- h) Dividend yield.
- I) Dividend cover.
- J) Interest cover.