

**MBA DEGREE EXAMINATIONS: NOV/DEC 2024**

(Regulation 2024)

First Semester

**MBA – INNOVATION ENTREPRENEURSHIP AND VENTURE DEVELOPMENT**

24IET500: Mastering the Numbers - Finance for entrepreneurs

**COURSE OUTCOMES**

- CO1:** Understand key accounting concepts, terms, and principles.
- CO2:** Learn complex accounting transactions and how they relate to accounting principles.
- CO3:** Evaluate company performance using profitability, efficiency, leverage, and other ratios.
- CO4:** Learn how to value a venture, project, or investment opportunity and perform a sensitivity analysis of key assumptions.
- CO5:** Assess the working capital needs of the business.

**Time: Three Hours****Maximum Marks: 100**

**Answer all the Questions:-**  
**PART A (10 x 2 = 20 Marks)**

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|--|-----|-------------------|
| 1. Define the accounting cycle.  | CO1 | [K <sub>1</sub> ] |
| 2. What is the balance sheet equation?   | CO2 | [K <sub>1</sub> ] |
| 3. Recall the terms - Accounts Payable and Accounts Receivable.                              | CO2 | [K <sub>1</sub> ] |
| 4. List the three classifications of cash flows statement.                                   | CO2 | [K <sub>1</sub> ] |
| 5. Define EBITDA.  | CO3 | [K <sub>1</sub> ] |
| 6. Outline the significance of Free Cash Flow in financial analysis?                         | CO3 | [K <sub>2</sub> ] |
| 7. Explain the difference between Net Present Value (NPV) and Internal Rate of Return (IRR). | CO3 | [K <sub>2</sub> ] |
| 8. What is the formula for calculating Effective Annual Interest Rate (EAR)?                 | CO4 | [K <sub>1</sub> ] |
| 9. Define working capital.   | CO4 | [K <sub>1</sub> ] |
| 10. List any two sources of working capital finance.   | CO5 | [K <sub>1</sub> ] |

**Answer any FIVE Questions:-**  
**PART B (5 x 16 = 80 Marks)**

11. a) Journalize the following transactions for a start-up business and post them into the ledger: 8 CO1 [K<sub>2</sub>]
- Invested ₹5,00,000 as capital

- Purchased furniture for ₹50,000 in cash
- Bought goods worth ₹2,00,000 on credit from XYZ Ltd.
- Paid ₹1,00,000 to XYZ Ltd.
- Sold goods for ₹3,00,000, out of which ₹2,00,000 was received in cash

- b) Prepare the Profit & Loss Account and Balance Sheet for the above transactions. 8 CO1 [K<sub>2</sub>]
12. a) A company provides the following financial data for the year ending 31st March 2024: 10 CO2 [K<sub>2</sub>]

2024:

- Cash collected from customers: ₹12,00,000
- Cash paid to suppliers: ₹6,50,000
- Cash paid for operating expenses: ₹2,00,000
- Cash paid for income tax: ₹50,000
- Interest received: ₹20,000
- Dividends received: ₹30,000
- Cash proceeds from the sale of fixed assets: ₹1,00,000
- Cash paid for purchasing new equipment: ₹3,00,000
- Dividends paid to shareholders: ₹80,000
- Loan borrowed from the bank: ₹2,00,000
- Repayment of loan principal: ₹1,00,000

**Required:**

Prepare the Cash Flow Statement using the Direct Method by classifying cash flows into Operating, Investing, and Financing Activities.

- b) Explain the significance of EBITDA and Free Cash Flow in financial analysis. 6 CO2 [K<sub>2</sub>]
13. a) The following information is available for a company: 8 CO3 [K<sub>2</sub>]

- Current Assets: ₹5,00,000
- Current Liabilities: ₹2,50,000
- Net Sales: ₹12,00,000
- Cost of Goods Sold: ₹7,00,000
- Average Inventory: ₹1,50,000

**Required:**

Calculate and interpret the following ratios:

- Current Ratio (4 mark)
- Inventory Turnover Ratio (4 mark)

- b) Relate how these ratios help in financial decision-making for an entrepreneur. 8 CO3 [K<sub>2</sub>]
14. a) Explain the concept of the Time Value of Money (TVM) and differentiate 8 CO4 [K<sub>5</sub>]  
between Simple Interest and Compound Interest with appropriate examples.
- b) Distinguish between Annual Percentage Rate (APR) and Effective Annual Rate 8 CO4 [K<sub>4</sub>]  
(EAR) with an example calculation.
15. a) A company estimates the following cash flows for the next three months: 10 CO3 [K<sub>2</sub>]
- Cash Sales: ₹1,00,000 per month
  - Credit Sales (collected after one month): ₹2,00,000 per month
  - Expenses: ₹1,50,000 per month
  - Purchase of raw materials: ₹2,50,000 per month
  - Opening Cash Balance: ₹50,000

**Required:**

Prepare a Cash Budget for the next three months and suggest ways to improve cash management.

- b) Explain the importance of working capital management for entrepreneurs. 6 CO3 [K<sub>5</sub>]
16. a) A company has the following data: 8 CO5 [K<sub>2</sub>]
- Accounts Receivable: ₹2,00,000
  - Accounts Payable: ₹1,50,000
  - Inventory: ₹2,50,000
  - Sales: ₹15,00,000
  - Cost of Goods Sold: ₹10,00,000

Calculate the following:

- Working Capital (2 mark)
  - Receivables Turnover Ratio (3 mark)
  - Payables Turnover Ratio (3 mark)
- b) Classify the different sources of working capital finance available for 8 CO5 [K<sub>4</sub>]  
entrepreneurs.

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