Total No. of Questions :5]

SEAT No. :

P1724

[Total No. of Pages :9

[4970] - 2002

M.B.A.

202 : FINANCIAL MANAGEMENT

(Semester - II) (2013 Pattern) (CBCS)

Time : 2½ Hours] ***[Max. Marks :50***

Instructions to the candidates:

1) *All questions are compulsory.*
2) *Each question has an internal option.*
3) *Each question carries 10 marks.*
4) *Figures to the right indicate marks for that question/sub-question.*
5) *Your answers should be specific and to the point.*
6) *Draw neat diagrams and illustrations supportive to your answer.*
7) *Use fo Simple Calculator is permitted.*

Q1) a) "Financial Management is something more than an art of accounting and book-keeping". Explain. **[10]**

OR

b) 'A Finance Manager is a person who is responsible in a significant way to carry out the finance functions'. Justify. **[10]**

Q2) a) Following are the summarized Balance Sheet of Abhijit Ltd. as on 31st March, 2014 and 2015. You are required to prepare a Funds Flow Statement for the year ended 31st March, 2015. **[10]**

Balance sheet

Liabilities	Amount Rs. 31.3.2014	Amount Rs. 31.3.2015	Assets	Amount Rs. 31.3.2014	Amount Rs. 31.3.2015
Share Capital	1,00,000	1,25,000	Goodwill	-----	2,500
General Reserve	25,000	30,000	Land and Building	1,00,000	95,000
Profit & Loss A/c	15,250	15,300	Plant and Machinery	75,000	84,500
Long Term Bank Loan	35,000	67,600	Stock	50,000	37,000
Creditors	75,000	-------	Debtors	40,000	32,100
Provision for Tax	15,000	17,500	Cash in Hand	250	4,300
Total Rs.	2,65,250	2,55,400	Total Rs.	2,65,250	2,55,400

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Additional Information:

i) Depreciation written-off on Plant and Machinery Rs. 7,000 and on Land and Building Rs. 5,000.

ii) Provision for Tax was made during the year Rs. 16,500.

iii) Dividend of Rs. 11,500 was paid.

OR

b) The standard ratios for the industry and the ratios of Anand Ltd are given below. Comment on the financial position of the company compared to industry standards and give suggestions for improvement: **[10]**

Ratio	Industry Standard Ratio	Ratio of Mohit Ltd.
Current Ratio	2.3	2.6
Quick Ratio	1.6	1.10
Inventory turnover Ratio	6	3
Average Collection Period	40	45
Net Profit Ratio	9%	10%

Q3) a) i) Explain the importance of Capital Budgeting. **[5]**

ii) Charulata Ltd. is planning an investment in new project. The investment budget of the company is Rs. 2,80,000. The company has following two investment alternatives: **[5]**

Particulars	Year	Project A	Project B
Initial Investment Rs.	0	28,000	28,000
Cash Inflows (in Rs.)	1	4,000	20,000
	2	8,000	16,000
	3	12,000	8,000
	4	18,000	4,000
	5	24,000	4,000

Compute the Net Present Value at 10% cost of capital and suggest which project is profitable for the company.

OR

b) i) Explain the factors influencing Capital Budgeting. **[5]**

ii) From the following information you are required calculate ARR. An investment costing Rs. 40,00,000 is expected produce following profits: **[5]**

Year	Amount Rs.
1	3,20,000
2	6,40,000
3	7,20,000
4	2,40,000

Q4) a) A proforma cost sheet of Deepali company provides the following data:**[10]**

Cost Per Unit	Rs.
Raw Material	10
Direct Labour	4
Overheads	6
Total cost	20
Profit	5
Selling price	25

The following is the additional information available:

Average raw material in stock: one month

Average works in process: half a month

Finished goods in stock: on average one month

Credit allowed to debtors – 2 months

Credit allowed by suppliers – one month

Time lag in payment of wages – one month

Time lag in payment of overheads – one month

Cash balance is expected to be Rs. 25,000.

You are required to prepare a statement showing working capital needed to finance a level of activity of 40,000 units per ***Total Cost Approach method of Working Capital Estimation.*** You may assume that production is carried on evenly throughout the year and wages and overheads accrue.

OR

b) Amey Ltd. is commencing a new project to manufacture a plastic component. The following per unit cost information has been ascertained for annual production of 1,00,000 units. **[10]**

Cost per unit	Rs.
Raw Material	40
Direct Labour	15
Overheads (including Depreciation of Rs. 5 per unit)	30
Total Cash Cost	85

Additional Information:

i) Selling price Rs. 100 per unit

ii) Raw Materials in Stock, average 4 weeks.

iii) Work in progress, average 2 weeks.

iv) Finished Goods in Stock, average 4 weeks.

v) Credit allowed to Customers, average 8 weeks.

vi) Credit allowed by Suppliers, average 4 weeks.

vii) Lag in Payment of Wages, 1.5 weeks

viii) Cash in hand is expected to be, Rs. 50,000.

You may assume that production is carried out on evenly throughout the year (52 weeks) and wages and overheads accrue similarly. All Sales are on credit basis only. You are required to prepare a statement showing working capital requirement as per ***Cash Cost Approach method of Working Capital Estimation.***

Q5) a) i) Write a note on factors affecting Capital Structure. **[5]**

ii) Pradnya Ltd. has the following capital structure: **[5]**

Source	Rs.
Equity Capital (Expected Dividend 12%)	50,000
10% Preference Shares	25,000
8% Loan	75,000

Your are required to calculate the WACC, assuming 50% as the rate of Income Tax, before and after tax.

OR

b) i) Write a note on importance of capital structure. **[5]**

ii) Madhuri Ltd. has its books on the following amounts and specific costs of each type of capital. **[5]**

Type of Capital	Book Value Rs.	Market Value Rs.	Specific Costs %
Equity	6,00,000	9,00,000	15
Preference	1,00,000	1,10,000	8
Debt	4,00,000	3,80,000	5
Retained Earnings	2,00,000	3,00,000	13
Total Rs.	13,00,000	16,90,000	

Determine the WACC using-

i) Book Value Weights.

ii) Market Value Weights.

Total No. of Questions : 10]

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M.B.A. (Semester - II)

202 : FINANCIAL MANAGEMENT

(Revised 2013 Pattern)

Time : 2½ Hours] *[Max. Marks :50*

Instructions to the candidates:

1) ***Attempt (Five) questions.***
2) ***Each question has an internal option.***
3) ***Each question carry equal 10 marks.***
4) ***Figures to the right indicate marks for questions.***
5) ***Use of Simple Calculator is allowed.***

Q1) Explain in detail the role and functions of finance manager of a globally diversified corporate entity. **[10]**

OR

Q2) How far do you think that the goal of wealth maximization is a better operative criterion over the earlier profit maximization. **[10]**

Q3)From the following summarized Balance sheets prepare fund flow statement., Where fund is defined as working capital. **[10]**

Balance Sheet

Liabilities	31-3-2015 Rs.	31-3-2014 Rs.	Assets	31-3-2015 Rs.	31-3-2014 Rs.
Equity share capital	6,00,000	5,00,000	Good will	15,000	20,000
General Reserve	55,000	50,000	Land	40,000	20,000
Profit & loss A/c	80,000	40,000	Buildings less		
Share premium	25,000	0	Depreciation	1,24,000	1,20,000
10% Debentures	2,50,000	3,00,000	Machinery less		
Sundry creditors	12,000	91,000	Depreciation	4,49,600	5,00,000
Provision for tax	50,000	50,000	Investments	70,000	1,00,000
Prop dividend	90,000	75,000	Inventories	2,50,000	2,00,000
			Sundry debtors	60,000	42,000
			Cash and bank	80,000	50,000
			Loans & adv.	66,400	42,000
			Preliminary exp.	7,000	12,000
Total	11,62,000	11,06,000	Total	11,62,000	11,06,000

OR

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Q4) The ratios of two leading manufacturing from A and B are provided for the year ended 31 March, 2015. Interpret these ratios and comment on the relative financial. **[10]**

Performance of these companies

Ratios	Firm-A	Firm-B
Current ratio	0.65	0.92
Guick ratio	0.47	0.50
Gross profit margin%	4.76	6.81
Net profit margin%	2.29	4.27
EPS. (Rs.)	3.94	2.19

Q5) A company is considering an investment proposal to install a new machine. The project will cost Rs.50,000 and will have a life of 5 years and no salvage value. The company's tax rate is 35% and no investment allowance is allowed. This firm uses straight line method of depreciation. The estimated net income before depreciation and tax from the proposed investment proposal are as follows:

Year	Net income before depreciation &Tax (Rs.)
1	10,000
2	11,000
3	14,000
4	15,000
5	25,000

Compute the following:

a) Payback period

b) Average Rate of Return

c) Net present value at 10% discount rate

d) Profitability index at 10% discount rate

Following are the present value factors @10 % **[10]**

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

OR

Q6) Company Ltd is considering two mutually exclusive machines X and Y. The company uses a certainty equivalent approach to evaluate the proposals. The estimated cash flow and certainty equivalents for both the machines are as follows:

Machine X			Machine Y		
Year	Cash flow	Cer.Eq.	Year	Cash flow	Cer. Eq.
0	(30,000)	1.00	0	(40,000)	1.00
1	15,000	0.95	1	25,000	0.90
2	15,000	0.85	2	20,000	0.80
3	10,000	0.70	3	15,000	0.70
4	10,000	0.65	4	10,000	0.60

Which machine should be accepted, if risk-free discount rate is 5%. **[10]**

Q7) M/s YS Readdy Ltd submits the following details of its costs. Calculate working capital requirements.

Particulars	Costs (per units) Rs.
Raw material	400
Direct Labour	150
Overhead (includes depreciation	
&Amortization Rs.50)	350
Total cost	900

Additional Data:

a) Minimum Cash Balance Rs.40000

b) Profit.per unit Rs.150;output 52000 units

c) Raw material remains in Stores Avg. 4 weeks.

d) Credit to customers Avg.8 weeks & Received from supplier Avg.4 weeks.

e) Finished goods Avg.4 weeks. Partly Finished goods average 2 weeks.(stage of completion 100% material &50% for other element of cost) **[10]**

OR

Q8) A proforma cost sheet of a company provides the following data:

Costs (per unit)	Rs.
Raw material	52.0
Direct labour	19.5
Overheads	39.0
Total cost (per unit)	110.5
Profit	19.5
Selling price	130.0

The following is the additional information available:

Average raw material in stock: one month; average materials in process: half a month. Credit allowed by suppliers – one month; credit allowed to debtors – 2 months. Time lag in payment of wages – 1½ weeks; overheads – one month. One fourth of sales are on cash basis. Cash balance is expected to be Rs. 120,000.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 70,000 units of output. You may assume that production is carried on evenly throughout the year and wages and overheads accrue. **[10]**

Q9) a) Explain the assumption of capital structure theories **[5]**

b) Calculate weighted average cost of capital (WACC) of the company based on book values weights & market value Weights **[5]**

Particulars	Book Values	MarketValues	Components Cost%
Debenture	600000	700000	7.23
Pref. Share capital	200000	200000	11.25
Equity	1400000	2100000	16.5

OR

Q10) Discuss in detail the various factors affecting the dividend policy of the company. **[10]**

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