Total No. of Questions : 5]

SEAT No. :

P2153

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M.B.A. (Semester - II)

202 : FINANCIAL MANAGEMENT

(2013 Pattern) (Revised)

Time : 2:30 Hours] ***[Max. Marks : 50***

Instructions to the candidates:

1) ***All questions are compulsory.***
2) ***Each question carries 10 marks.***
3) ***Use of simple calculator is permitted.***

Q1) a) What are the key strategies of financial management? **[10]**

OR

b) Define financial management. Write goals of financial management. What are the various approaches to financial management.

Q2) a) From the following information of "ABC Ltd." Write down the interpretation of each ratio given below. **[10]**

Sn. No	Particulars of the ratio	Ratio for the year - 2016	Ratio for the year - 2017
1.	Current Ratio	2:1	2.5:1
2.	Stock turnover Ratio	6 times	8 times
3.	Quick Ratio	0.80:1	0.75:1
4.	Net project Ratio	20%	25%.

OR

P.T.O.

b) You are required to prepare funds flow statement and statement showing changes in working capital.

You are also required to compute "funds from operation".

Balance sheets of "R-Ltd. is given below

Liabilities	2015 (Rs)	2016 (Rs)	Assets	2015 (Rs)	2016 (Rs)
Sundry creditors	39,500	41,135	Cash at bank	2,500	2,700
Bills payable	33,780	11,525	Sundry debtors	87,490	73,360
Bank overdraft	59,510	-	Stock	1,11,040	97,370
Provision for taxation	40,000	50,000	Land & Buildings	1,48,500	1,44,250
Reserves	50,000	50,000	Plant & m/c	1,12,950	1,16,200
profit & Loss A/c	39,690	41,220	Good will	-	20,000
Share captial	2,00,000	2,60,000			
	4,62,480	4,53,880		4,62,480	4,53,880

Additional information :

1) During the year 2016, an interim dividend of Rs. 26,000 was paid.

2) The assets of another Co. were purchased for Rs.60,000 payable in fully paid up shares of the company. The assets consisted of stock Rs. 22,000, machinary Rs. 18,000 & Goodwill Rs. 20,000.

3) Purchase of plant for cash Rs. 5,600 was made in 2016.

4) Income tax paid during 2016 Rs. 25,000.

Q3) a) From the following information of 'PQR Ltd.' calculate : **[10]**

1) NPV 2) PI

3) Pay Back Period 4) ARR

Year	CFAT	p/v factor at 10%
1	20,000	0.909
2	30,000	0.826
3	40,000	0.751
4	60,000	0.683
5	50,000	0.621

OR

b) A company is considering to purchase a machine. Two machines are available "M/c-X" & "M/c-Y" costing Rs. 50,000 each. Earnings after taxation are expected to be as follows:

Year	CFAT "M/c-x"	CFAT "M/c-y"	P/v factor at 10%
1	15,000	5,000	0.9090
2	20,000	15,000	0.8264
3	25,000	20,000	0.7513
4	15,000	30,000	0.6830
5	10,000	20,000	0.6209

Evaluate the two alternatives according to:

i) Pay back period method

ii) Net present value method (NPV)

Suggest the company which M/c should purchase.

Q4) a) From the following data, compute the duration of "operating cycle".**[10]**

Particulars	Amount
1) Stock of Raw materials	40,000
2) Stock of W/p	28,000
3) Stock of finished goods	42,000
4) Purchases	1,92,000
5) Cost of goods sold	2,80,000
6) Sales	3,20,000
7) Debtors	64,000
8) Creditors	32,000

Assume 360 days per year for computation purpose.

OR

b) Calculate the working capital requirement of "R-Ltd."

Particular	Cost per unit (Rs.)
Raw material	800
Direct labour	300
Over heads	600
Total Cost	1700
project	300
Selling price	2000

Additional informations:

1) Output 60,000 units per annum.
2) Raw material in stock - Aug. 1 month.
3) W/p - Aug. half. month
   (consider 100% Raw material & 50% labour & OH).
4) Finish goods in stock - Aug 1month.
5) Credit allowed by suppliers - Aug. 1 months.
6) Credit allowed to debtors - Aug. 2 months.
7) Delay in payment of wages - Aug. half month.
8) Dalay in payment of over heads - Aug half month.

Assum that production is carried out evenly throughout a year.

All the sales are credit sales.

Q5) a) Discribe the factors affecting on capital structure. **[10]**

OR

b) Short notes (any two)

i) NI approach

ii) NOI approach

iii) MM approach

Total No. of Questions : 5]

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M.B.A. (Semester - II)

202 : FINANCIAL MANAGEMENT

(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 of Simple Calculator is permitted.*

Q1) a) Explain in detail how finance is associated with other disciplines. **[10]**

OR

b) "A Finance Manager is a person who is responsible in a significant way to carry out the finance function". Comment.

Q2) a) From the following Balance Sheet of Poonam Ltd. as on 3[1st] March, 2016 and 2017 prepare a Funds Flow Statement. **[10]**

Balance Sheet

Liabilities	Amount Rs. 31.3.2016	Amount Rs. 31.3.2017	Assets	Amount Rs. 31.3.2016	Amount Rs. 31.3.2017
Share Capital	40,000	57,500	Plant and Machinery	7,500	10,000
Profit & Loss A/c	1,400	3,100	Stock	12,100	13,600
Creditors	10,600	7,000	Debtors	18,100	17,000
			Cash in hand	14,300	27,000
Total Rs	52,000	67,600	Total Rs.	52,000	67,600

b) Shruti Ltd. is a leading manufacturing industry. Following activity ratios are calculated by the finance manager of the company. You are required to analyze the ratios and interpret the asset management efficiency position of the company.

Ratios	2016	2017
Debtors Turnover Ratio	12 times	8 times
Creditors Turnover Ratio	7 times	7 times
Inventory Turnover Ratio	9 times	11 times
Working Capital Turnover Ratio	3 times	4 times
Fixed Assets Turnover Ratio	2.5 times	1.5 times

Q3) a) i) Write a Short note on Importance of Capital Budgeting Decisions. **[5]**

ii) Shlok Ltd. is planning an investment in new project. The investment budget of the company is Rs. 5,60,000. The company has following two investment alternatives: **[5]**

Particulars	Year	Project 'X'	Project 'Y'
Initial Investment Rs.	0	5,60,000	5,60,000
Cash Inflows (in Rs.)	1	80,000	4,00,000
	2	1,60,000	3,20,000
	3	2,40,000	1,60,000
	4	3,60,000	80,000
	5	4,80,000	80,000

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

OR

b) i) Write a Short Note on 'IRR' **[5]**

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

Year	Amount Rs.
1	40,000
2	80,000
3	90,000
4	30,000

Q4) a) Following is the information of Sanjay Ltd. **[10]**

Cost Per Unit	Rs.
Raw Material	10
Direct Labour	4
Overheads	3
Total cost	17
Profit	3
Selling price	20

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 — one month

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. 10,000

You are required to prepare a statement showing working capital needed to finance a level of activity of 60,000 units of output as 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) Narendra Ltd. is commencing a new project to manufacture a plastic component. The following per unit cost information has been ascertained for annual production of 1,04,000 units. **[10]**

Cost Per Unit	Rs.
Raw Material	8
Direct Labour	3
Overheads (including Depreciation of Rs. 1 per unit)	6
Total Cash Cost	17

Additional Information:

a) Selling price Rs. 20 per unit.

b) Raw Materials in Stock, average 4 weeks.

c) Work in progress, average 2 weeks.

d) Finished Goods in Stock, average 4 weeks.

e) Credit allowed to Customers. average 8 weeks.

f) Credit allowed by Suppliers, average 4 weeks.

g) Lag in Payment of Wages, 1.5 weeks.

h) Cash in hand is expected to be, Rs. 2,500.

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 Importance of Capital Structure. **[5]**

ii) Sakshi 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

You 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 MM Approach. **[5]**

ii) Swara 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	30,000	45,000	15
Preference	5,000	5,500	8
Debt	20,000	19,000	5
Retained Earnings	10,000	15,000	13
Total Rs.	65,000	84,500	

Calculate the WACC using Book Value Weights and Market Value Weights.

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