

Total No. of Questions : 5]

SEAT No. :

P2373

[4670]-202

[Total No. of Pages : 4

M.B.A. (CBCS)

**202 : Financial Management
(2013 Pattern) (Semester - II)**

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 calculators is permitted.*

Q1) a) What do you mean by Financial Management? Explain the environment of finance in organization of finance function. **[10]**

OR

b) Define Wealth Maximization and elaborate in detail with suitable examples. **[10]**

Q2) a) Following are the summarized Balance Sheet of ABC Ltd., as on 31st December 2012 and 13. You are required to prepare a fund flow statement for the year ended 31st December 2013. **[10]**

Liabilities	2012(Rs.)	2013(Rs.)	Assets	2012(Rs.)	2013(Rs.)
Share Capital	1,00,000	1,25,000	Goodwill	-	2,500
General Reserve	25,000	30,000	Building	1,00,000	95,000
Profit and Loss Account	15,250	15,300	Plant	75,000	84,500
Bank Loan (Long Term)	35,000	27,600	Stock	50,000	37,000
Creditors	75,000	40,000	Debtors	40,000	32,100
Provision for Tax	15,000	17,500	Bank	-	4,000
			Cash	250	300
	2,65,250	2,55,400		2,65,250	2,55,400

Additional Information:

- Dividend of Rs. 11,500 was paid.
- Depreciation written-off on plant Rs. 7000 and on building Rs. 5000.

OR

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- b) Kirti Gold 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. [10]

Particulars	2012(Rs.)	2013(Rs.)
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) A firm whose cost of capital is 10% is considering 2 mutually exclusive projects, the details are: [10]

Particulars	Project 'X'	Project 'Y'
Investment	70,000	70,000
Cash Inflow		
Year 1	10,000	50,000
Year 2	20,000	40,000
Year 3	30,000	20,000
Year 4	45,000	10,000
Year 5	60,000	10,000
	1,65,000	1,30,000

Calculate NPV at 10% and Profitability Index (PI) for the two projects.

Year	1	2	3	4	5
Discounting Factor @ 10%	0.909	0.827	0.751	0.683	0.621

OR

- b) ABC Ltd is planning investment in new project. The investment budget of the company is Rs. 30,00,000. The company has following two alternatives: [10]

	Project A	Project B
Investment	30,00,000	30,00,000
Useful Life	5 years	6 years
Cost of Capital	12%	12%
Cash Inflows at the End of the Year are as follows:		
Year 1	7,00,000	10,00,000
Year 2	10,00,000	8,00,000
Year 3	9,00,000	8,00,000
Year 4	8,00,000	8,00,000
Year 5	4,00,000	6,00,000
Year 6	-	2,00,000

Find out which project the company should select on the basis of:

- a) Payback period method.
b) Net Present value method.

Year	1	2	3	4	5	6
PV at 12%	0.893	0.797	0.712	0.636	0.567	0.507

- Q4) a)** A proforma cost sheet of the company provides the following particulars.

Elements of Cost Amount per Unit in Rs. (as % of Selling Price) [10]

Materials	50%
Direct Labour	10%
Overheads	10%

The following further particulars are available:

- i) It is proposed to maintain a level of activity of 1,00,000 units.
- ii) Selling price is Rs. 10 per unit.
- iii) Raw materials are expected to be in the stores for an average of 2 months.
- iv) Materials will be in process, on average one month.
- v) Finished goods are required to be in stock for an average of 2 months.
- vi) Credit allowed to debtors is 3 months.
- vii) Credit allowed by supplier is two months.

Assuming 10% contingency margin, find out the working capital requirement.

OR

- b) From the following data prepare a statement showing working capital requirement for the year 2013: [10]

- i) Estimated output for the year 1,30,000 units (52 weeks).
- ii) Stock of raw materials 2 weeks and material in process for 2 weeks, 50% of wages and overheads are incurred.
- iii) Finished goods remain in storage for 2 weeks.
- iv) Creditors 2 weeks.
- v) Debtors 4 weeks.
- vi) Outstanding wages and overheads 2 weeks each.
- vii) Selling price per unit Rs. 15.
- viii) Analysis of cost per unit is as below:

Raw materials	Rs. 5 per unit
Labour	Rs. 3 per unit
Overheads	Rs. 2 per unit
Profit	Rs. 5 per unit

Assume the operations are evenly spread throughout the year.

- Q5) a)** Explain the write in detail The Net Income Approach and Net Operating Approach Theories of Capital Structure. Use suitable diagrams to explain the same. [10]

OR

- b) What do you understand by 'Capital Structure'? Explain in detail the various factors affecting Capital Structure. [10]

