Total No. of Questions : 5]

SEAT No. :

P3806

[Total No. of Pages : 9

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M.B.A.

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 options.*
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) "The Financial Manager's primary task is to plan for acquisition and use of funds so as to maximize the value of the firm". Do you agree? Comment. **[10]**

OR

b) Explain the role of Finance Manager in detail. **[10]**

Q2) a) Following are the summarized Balance Sheet of Prakash Ltd. as on 31st March, 2015 and 2016. You are required to prepare a Funds Flow Statement for the year ended 31st March, 2016. **[10]**

Balance Sheet

Liabilities	2015 Amount Rs.	2016 Amount Rs.	Assets	2015 Amount Rs.	2016 Amount Rs.
Share Capital	20,000	25,000	Goodwill	-	500
General Reserve	5,000	6,000	Land and Building	20,000	19,000
Profit & Loss A/c	3,050	3,060	Plant and Machinery	15,000	16900
Long Term Bank Loan	7,000	13,520	Stock	10,000	7,400
Creditors	15,000	-	Debtors	8,000	6,420
Provision for Tax	3,000	3,500	Cash in Hand	50	860
Total Rs.	53,050	51,080	Total Rs.	53,050	51,080

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Additional Information:

i) Depreciation written-off on Plant and Machinery Rs. 1,400 and on Land and Building Rs. 1,000.

ii) Provision for Tax was made during the year Rs. 3,300.

iii) Dividend of Rs. 2,300 was paid.

OR

b) The standard ratios for the industry and the ratios of Pratibha 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 Pratibha Ltd.
Current Ratio	2.4	2.55
Quick Ratio	1.5	1.10
Inventory turnover Ratio	8	5
Average Collection Period	36	42
Debt Equity Ratio	2:1	1.40:1
Net Profit Ratio	17%	17.7%
Price to Earnings Ratio	16	5.88

Q3) a) Shruti Ltd. is planning an investment in new project. The investment budget of the company is Rs. 2,800. The company has following two investment alternatives: **[10]**

Particulars	Year	Project P	Project Q
Initial Investment Rs.	0	2,800	2,800
Cash Inflows (in Rs.)	1	400	2,000
	2	800	1,600
	3	1,200	800
	4	1,800	400
	5	2,400	400

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

OR

b) Shlok Ltd. 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: **[10]**

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:

i) Pay Back period.

ii) NPV

iii) Profitability index

Q4) a) A proforma cost sheet of a Ramachandra Ltd. provides the following data: **[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) The cost structure of a company's product is as follows: **[10]**

Cost Per Unit	Amount (Rs.)
Raw Material	20
Direct Labour	5
Overheads	15
Total Cost of Production	40
Profit	10
Selling Price	50

i) The annual production is 2,40,000 units.
ii) It is the policy of the company is to maintain the stock of raw materials equivalent to one month's production.
iii) Half a month's production will remain in process throughout the year.
iv) The finished goods remain in warehouse on an average for a month.
v) The company sells its goods on credit and allows two months' credit to its customers.
vi) The suppliers of raw materials provide 3 months credit to the company.
vii) The period of lag for wages and overheads is one month.
viii) A minimum cash balance of Rs. 25,000 is expected to be maintained.

You are required to prepare a statement showing *working capital requirement as per Cash Cost Approach method of Working Capital Estimation.*

Q5) a) Explain the different factors affecting the capital structure. **[10]**

OR

b) Write a note on NI and NOI Approach. **[10]**

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(Revised 2013 Pattern) (Semester - II)

Time : 2½ Hours] *[Max. Marks : 50*

Instructions to the candidates:

1) *All questions are compulsory.*
2) *Each question carries 10 marks.*
3) *Figures to the right indicate marks.*
4) *Simple calculator is allowed.*

Q1) a) Define Financial management. What are the various approaches to Financial Management. **[10]**

OR

b) Discuss goals of Financial Management. Write key strategies of Financial Management. **[10]**

Q2) a) From the following Balance Sheet of "Shail Shree Ltd." as on 31st March 2012 and 31st March 2013, you are required to prepare: **[10]**

i) Change in working capital.

ii) Funds flow statement.

Liabilities	31/03/12 Rs.	31/03/13 Rs.	Assets	31/03/12 Rs.	31/03/13 Rs.
Share Capital	1,00,000	1,10,000	Building	40,000	38,000
Gen. reserve	14,000	18,000	Plant & M/c	37,000	36,000
P&L A/c	4,000	3,000	Investment (long term)	10,000	21,000
Creditors	8,000	5,400	Stock	30,000	23,400
Bills Payable	1,200	800	Bills Receivables	2,000	3,200
Provision for Tax			Debtors	18,000	19,000
(non-current)	16,000	18,000	Cash at bank	6,600	15,200
Provision for Doubtful Debts	400	600			
	1,43,600	1,55,800		1,43,600	1,55,800

OR

b) From the Balance Sheet of "XYZ Ltd." as on 31st March 2015. **[10]**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sh. Capital (equity)	10,00,000	Building	8,00,000
Gen. Reserve	9,00,000	Plant	4,00,000
P & L A/c	75,000	Machinery	2,00,000
6% Debentures	3,00,000	Investment (long term)	1,00,000
<u>Current Liabilities</u>		<u>Current Assets</u>	
Sundry creditors	2,00,000	Stock	4,25,000
Bills Payable	1,50,000	Sundry Debtors	1,90,000
Bank Over Draft	1,00,000	Cash at Bank	6,10,000
	27,25,000		27,25,0000

i) Calculate the following Ratios:

1) Current Ratio.

2) Acid test Ratio.

3) Fixed Asset turnover Ratio.

(consider sales Rs. 30,00,000)

ii) Explain (Interpreat) the impact of following transactions on current Ratio with reasons (ie. whether current ratio will Improve, Reduce or no change / no impact)

1) Company make payment of Bank Over Draft Rs. 1,00,000/-.

2) Company purchases stock of Rs. 2,00,000/- by cash.

Q3) a) A firm considering purchase of a machine, machine "A" and machine "B" are available and each costing Rs. 1,00,000 only. While comparing the profitability of machines discounting rate at 10% to be used. Earning after taxation are expected to be as follows. **[10]**

Year	Machine "A"	Machine "B"	PV Factor @ 10%
1	25,000	80,000	0.909
2	32,000	68,000	0.826
3	35,000	35,000	0.751
4	25,000	43,000	0.683
5	20,000	50,000	0.621

Evaluate and advise the firm, which machine to be purchase by using.

i) Profitability Index (PI).

ii) Accounting Rate of Return (ARR)

OR

b) ABC Ltd. wants to undertake a project, you are required to make suggestion with reasons by using following tools and discounting factor at 12%. **[10]**

i) Pay Back period method.

ii) Net present value method.

The cash flows of projects are expected as follows.

Year	Project "A"	Project "B"	PV factor @ 12%
1	85,000	70,000	0.892
2	1,15,000	90,000	0.797
3	1,50,000	1,15,000	0.711
4	1,25,000	75,000	0.635
5	75,000	65,000	0.567
6	70,000	60,000	0.506

Q4) a) i) Ellaborate on various sources of working capital.

ii) From the following extracts of "Mach Tech Ltd.", you are required to calculate operating cycle duration.

Particular	Rs. in lakhs
Sales	3,000
Op. Inventory	610
Cl. Inventory	475
Op. Receivables	915
Cl. Receivables	975

[10]

OR

b) Prepare an estimate of working capital requirements from the following details. **[10]**

Production	60,000 units
Selling Price per unit (sp)	Rs. 5
Raw materials	60% of sp
Direct wages	10% of sp
Over heads	20% of sp
Material in hand	2 months
Production time (WIP)	1 month
Finished Goods in store	3 months
Credit for materials	2 months
Cash Balance	Rs. 20,000

In the production all the required materials are charged in the initial stage.

One month (1 month) delay in payment of wages and overheads.

Assume 10% margin for contingencies.

<u>Note</u> : In calculating WIP, F.G. & Debtors, take all required expenses at 100%.

Q5) a) i) ABN corporation provided the following financial data from which calculate: **[10]**

1) Operating Leverage.

2) Financial leverage.

3) Combined leverage

Particulars	Rs. in lakhs
Sales	40
Variable cost	25
Fixed cost	06
10% Debts	30
Equity capital	45

ii) Write note on net operating Income Approach.

OR

b) i) Discuss the net Income Approach with the help of assumptions and Graph/Diagram.

ii) P Q R. Ltd. supplied following information, calculate Weighted Average Cost of Capital (WACC).

Source of Finance	Book value (Rs.)	Cost
Equity capital	10,00,000	12%
Pref. Capital	2,00,000	10%
Debt. Capital	8,00,000	8%

[10]

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