Total No. of Questions : 5]

SEAT No. :

P4671

[Total No. of Pages : 8

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M.B.A.

202 : FINANCIAL MANAGEMENT

(2013 Revised Pattern) (Semester - II)

Time : 2 ¼ Hours] *[Max. Marks : 50*

Instructions to the candidates:

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

Q1) a) Define Financial Management. Explain the various Goals of Financial Management. **[10]**

OR

b) Briefly explain the different approaches of Financial Management. **[10]**

Q2) a) From the following table compare the Ratios of Zeinth Ltd with Industry Standard Ratios and comment. **[10]**

Ratios	Standard Ratios	Zeinth Ltd Ratios
Current Ratio	2:1	2:4
Average collection Period	22 days	32 days
Operating Cycle Period	154 days	172 days
Quick Ratio	1:1	1:8
Net Profit Ratio	27%	22%

OR

b) From the following balance sheets of Flying Machines Ltd. Prepare a statement of sources and application of funds and a schedule of changes in working capital for 2006. **[10]**

Liabilities	2005	2006	Assets	2005	2006
Share Capital	1,00,000	1,25,000	Land & Building	1,00,000	95,000
General Reserve	25,000	30,000	Plant &	75,000	84,500
			Machinery	50,000	37,000

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			Inventories	40,000	32,000
P & L A/c	15,250	15,800	Debtors	250	300
Bank Loan	35,000		Cash	-	4,000
Creditors	75,000	67,500	Bank	-	2,500
Provision of Tax	15,000	17,000	Goodwill		
Total	2,65,250	2,55,300	Total	2,65,250	2,55,300

Additional Information:

i) Dividend of Rs 11,000 was paid during 2006.

ii) Depreciation on plant written off this year was Rs 7,000

iii) A provision for income tax for Rs 16,500 was made during the year.

Q3) a) Krishna Electronics Ltd. Is considering the purchase of a machinery. Two Machines X and Machine Y are available, each costing Rs 50, 000. In comparing the profitability of the machine, a discount rate of 10% is to be used. Cash Inflows are expected to be as follows:

Year	Cash Flows		PV Factor
	Machine X	Machine Y	@ 10%
1	15,000	5,000	0.909
2	20,000	15,000	0.826
3	25,000	20,000	0.751
4	15,000	30,000	0.683
5	10,000	20,000	0.621

Indicate which Machine would be the more profitable investment under the various Methods of ranking investment proposals. **[10]**

OR

b) Ramesh Electronics Ltd is considering two investments, each of which requires on initial investment of Rs 1,80,000. The total cash inflow i.e Profit after taxes and depreciation charges for each project are: **[10]**

Year	Machine X	Machine Y	PV Factor @8%
1	30,000	60,000	0.926
2	50,000	1,00,000	0.857
3	60,000	65,000	0.794
4	65,000	45,000	0.735
5	40,000	-	0.681
6	30,000	-	0.630
7	16,000	-	0.583

The cost of capital is 8%. Rank there Profits under Net Present Value method. Which is most profitable?

Q4) a) From the following information calculate operating cycle for XYZ Ltd. **[10]**

	(Rs in' 000)
Sales	3,000
Cost of Production	2,100
Purchases	600
Average raw materials stock	80
Average work - in - progress	85
Average finished goods stock	180
Average Creditors	90
Average Debtors	350

OR

b) An analytical statement of Alfa company is shown below. It is based on an output (Sales) level of 80,000 units. SP per unit = Rs 12, Tax 50% FC+2, 40,000. **[10]**

Sales	9,60,000
Variable cost	5,60,000
Marginal Contribution	4,00,000
-Fixed Cost	2,40,000
EBIT (Earning before int. & tax)	1,60,000
Interest	60,000
Earning before tax (EBT)	1,00,000
-Tax (50% of EBT)	50,000
Profit after tax (PAT)	50,000

Calculate the degree of

i) Operating leverage.

ii) Financial leverage and

iii) The combined leverage from the above data.

Q5) a) Write short Notes on (Any two) **[10]**

i) WAAC

ii) Cost of Capital

iii) MM Approach

OR

b) Describe the various factors which affects the Capital Structure. **[10]**

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M.B.A.
202:FINANCIAL MANAGEMENT
(2013 Pattern) (CBCS) (Semester - II)

Time : 2 ½ 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) "The objective of Financial Management is to maximize the wealth of the shareholders by maximizing the value of the firm." Explain. **[10]**

OR

b) Briefly discuss the functions of a finance manager with respect to the major decisions of the financial operations of a business enterprise. **[10]**

Q2) a) The ratios of leading manufacturing companies named Superb Ltd. and Verna Ltd. are provided for the year ended on 31st March 2014. Interpret these ratios and comment on the relative financial performance of these companies. **[10]**

Ratios	Superb Ltd.	Verna Ltd.
Current Ratio	0.92	0.72
Quick Ratio	0.53	0.48
Gross Profit Margin%	5.82	3.98
Net Profit Margin%	3.76	1.84
Total Debt to Equity	0.79	0.51
Fixed Assets Turnover Ratio	3.23	1.99
Inventory Turnover Ratio	5.35	9.51
EPS (Rs)	2.05	3.33

OR

b) From the following balance sheets of Kerox Ltd., Prepare Funds Flow Statement for 2013. **[10]**

Balance Sheet

	Amount (Rs.)			Amount (Rs.)	
Liabilities	31/03/2012	31/03/2013	Assets	31/03/2012	31/03/2013
Equity Share Capital	1,50,000	2,00,000	Goodwill	50,000	40,000
9% Redeemable Pref. Shares	75,000	50,000	Land & Building	1,00,000	85,000
General Reserve	20,000	25,000	Plant & Machinery	40,000	1,00,000
Profit & Loss A/c	15,000	34,000	Investments	10,000	15,000
Proposed Dividend	21,000	25,000	Sundry Debtors	70,000	85,000
Sundry Creditors	13,000	24,000	Stock	39,000	55,000
Bills Payable	10,000	8,000	Bills Receivable	10,000	15,000
Liability for Expenses	15,000	18,000	Cash in Hand	7,000	5,000
Taxation provision	20,000	25,000	Cash at Bank	5,000	4,000
			Preliminary Expenses	8,000	5,000
Total	3,39,000	4,09,000	Total	3,39,000	4,09,000

Following additional information is provided:

i) A machine has been sold for Rs. 5000 (Written down value of the machinery was Rs. 6000). Depreciation of Rs. 5000 was charged on plant in 2013.

ii) An interim dividend of Rs. 10, 000 has been paid in 2013.

Q3) a) i) Explain the evaluation of the project using Pay Back Period Method. **[5]**

ii) An oil company is considering a replacement of its existing extraction machine with new automatic machine to improve the process. The cost of new machine is (Rs.) 30 lakhs. The cost of the company's capital is 10%. The incremental cash flows projected during five year period are estimated as follows.

	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Flows (Rs. in Lakhs)	6.00	8.00	10.00	12.00	10.5
PVF @ 10%	0.909	0.826	0.751	0.683	0.621

Comment on the suitability of the project by using NPV and PI. **[5]**

OR

b) i) "Cash Flow is a better parameter than Profitability for evaluation of Capital Expenditure Decision". Explain with justification. **[5]**

ii) A company is contemplating to purchase a machine. A cost of the machine is Rs. 5 lakhs. The estimated cash flows after tax in different years are expected as follows.

Year	Amt. (Rs)
1	1,50,000
2	2,00,000
3	2,50,000
4	1,50,000
5	1,00,000

Comment on the Suitability of the machine using payback period method. **[5]**

Q4) a) Prepare an estimate of Working Capital requirement for Mahati Trading Company from the following information. **[10]**

i) Projected annual sales 80, 000 units.

ii) Selling price Rs. 8 per unit.

iii) Percentage net profit on sales is 20.

iv) Average credit period allowed to customers - 10 weeks.

v) Average credit period allowed to suppliers - 8 weeks.

vi) Average stock holding in terms of sales requirement - 10 weeks.

vii) Allow 20% for contingencies.

Assume 52 weeks in a year.

OR

b) The cost structure of a company's product is as follows: **[10]**

Cost Per Unit	Amt. (Rs)
Raw Material	40
Direct Labour	10
Overheads	10
Total Cost of Production	60
Profit	15
Selling Price	75

i) The annual production is 30,000 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 (Stage of completion 50%)

iv) The finished goods remain in warehouse on an average for a month.

v) The company sells its goods on credit and allows two month's 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 with the assumption of equivalent production. **[10]**

Q5) a) i) Explain any five factors affecting the Capital Structure. **[5]**

ii) The entire capital structure of a company is provided along with the tax adjusted cost of each component. Determine the Weighted Average Cost of Capital (WACC). **[5]**

Components of Capital	Amt. (Rs.)	Tax Adjustment Cost of Capital
Equity Share Capital (2,00,000 Shares)	40,00,000	15%
11.5% Preference Shares	10,00,000	11.5%
10% Debentures	30,00,000	6.5%

OR

b) i) Explain in brief the Net Income Approach and Net Operating Approach Theories of Capital Structure. **[5]**

ii) Calculate Weighted Average Cost of Capital (WACC) of the company based on book value weights and market value weights. **[5]**

Particulars	Book Values	Market Values	Component Cost % (Post-Tax)
Debentures	8,00,000	8,80,000	6.84
Pref. Share Capital	2,00,000	2,40,000	14.87
Equity Shares	10,00,000	22,00,000	17

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