

Total No. of Questions :5]

SEAT No. :

P1428

[5365]-2002

[Total No. of Pages : 4

M.B.A.

**202 : FINANCIAL MANAGEMENT
(Semester-II) (2016 Pattern)**

Time : 2¼ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) All questions are compulsory.
- 2) Each questions has an internal option.
- 3) Each question carries 10 marks.
- 4) Use of simple calculator is permitted.

Q1) a) Describe modern approaches to financial management. **[10]**

OR

b) Explain functions of finance manager and key strategies of financial management. **[10]**

Q2) a) i) Explain factors affecting capital structure. **[5]**

ii) Mamta limited has following capital structure. **[5]**

Source	Rs.
Equity capital (Expected dividend 12%)	5,00,000
10% Preference Shares	2,50,000
8% Loan	7,50,000

You are required to calculate the WACC, Assuming 50% as the rate of Income tax before and after tax.

OR

b) i) Explain concept and measurement of cost of capital. **[5]**

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

Source	Amount (Rs.)	Tax adjusted cost of capital
12% Debenture	30,00,000	8%
9% Preference share capital	20,00,000	9%
Equity Shares	50,00,000	14%

P.T.O.

- Q3) a) The following data are extracted from the published accounts of two companies, ABC Ltd. and XYZ Ltd. In an industry.

Particulars	ABC Ltd	XYZ Ltd
Sales	Rs. 32,00,000	Rs.30,00,000
Net profit after tax	1,23,000	1,58,000
Equity Capital (Rs. 10 per share fully paid)	10,00,000	8,00,000
General reserves	2,32,000	6,42,000
Long-term debt	8,00,000	5,60,000
Creditors	3,82,000	5,49,000
Bank credit (short-term)	60,000	2,00,000
Fixed assets	15,99,000	15,90,000
Inventories	3,31,000	8,09,000
Other current assets	5,44,000	4,52,000

Prepare a statement of comparative ratios showing liquidity, profitability, activity and financial position of the two companies. [10]

OR

- b) Prepare fund flow statement. [10]

Liabilities	31/03/2008	31/03/2009	Assets	31/03/2008	31/03/2009
Bank OD	1,16,000	55,000	Fixed Assets	62,000	70,000
Creditors	99,800	1,19,200	Addition	8,000	17,000
Prop. Div.	16,000	24,000		70,000	87,000
Debentures		10,000	Depreciation	25,000	36,000
P & L	35,200	48,500	Net	45,000	51,000
Gen. Reserves	26,000	38,000	Investment	10,000	15,000
Share capital	75,000	1,00,000	Stock	1,81,500	1,90,000
			Debentures	1,31,500	1,38,700
	3,68,000	3,94,700		3,68,000	3,94,000

- Q4) a)** ABC Ltd. is planning investment in new project. The investment of the company is Rs. 30,00,000. The company has following two alternatives. Assume cost of capital at 12%

Particulars	Project A	PV at 12%
1	7,00,000	0.893
2	10,00,000	0.797
3	9,00,000	0.712
4	8,00,000	0.636
5	4,00,000	0.567

Find out Payback period, Net present value and Profitability of index. **[10]**

OR

- b)** A leading apparel Mfg. Co. is considering a replacement of its existing cutting machine with a new automatic machine to improve the productivity. The cost of new machine is Rs. 25 lakhs. The cost of the company's capital is 10%. The incremental cash flows projected during five years period are estimated as follows.

Year	1	2	3	4	5
Cash flows (Rs. In lakhs)	2.5	5.0	8.0	10.0	12.5
PVF at 10%	0.909	0.826	0.751	0.683	0.621

Comment on the suitability of the project by using NPV and PI. **[10]**

- Q5) a)** From the following projections of XYZ Ltd. for the next year, you are required to work out the Working Capital (WC) required by the company.

[10]

Annual Sales	Rs. 14,40,000
Cost of production including depreciation Rs. 1,20,000	12,00,000
Raw material purchases	7,05,000
Monthly expenses	30,000
Anticipated opening stock of raw materials	1,40,000
Anticipated closing stock of raw materials	1,25,000
Inventory Norms :	
Raw Materials (month)	2
Work-in-progress (days)	15
Finished goods (month)	1

The firm enjoys the credit of 15 days on its purchases, and allows 1 month's credit on its supplies. The company has received an advance of Rs. 15,000 on sales orders. You may assume that production is carried on evenly throughout the year, and minimum cash balance desired to be maintained is Rs. 10,000

OR

- b) From the following information you are required to estimate the net working capital.

Particulars	Cost per unit (Rs.)
Raw Material	Rs. 400
Direct Labour	Rs. 150
Overhead (Excluding depreciation)	Rs. 300
Total Cost	850

Additional Information :

- i) Selling price : Rs. 1000 per unit
- ii) Output : Rs. 52,000 units per annum
- iii) Raw materials in stock : Average 2 weeks
- iv) Work in progress (Assume 50% of completion stage with material consumption) Average 2 weeks
- v) Finished goods in stock : Average 4 weeks
- vi) Credit allowed by suppliers : Average 4 weeks
- vii) Credit allowed to Debtors : Average 8 weeks
- viii) Cash at Bank : Rs. 50,000

Assume that production is carried out evenly throughout the year. Assume 52 weeks equal to one year. All sales are on credit basis. **[10]**

