

Total No. of Questions : 5]

SEAT No. :

**P3860**

[Total No. of Pages : 4

**[5265] - 2001**

**M.B.A.**

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

*Time : 2¼ 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) *Use of simple calculator is permitted.*

**Q1) a)** Describe the finance functions as divided into three broad categories. **[10]**

OR

b) Define Financial Management. Explain goals of Financial Management. **[10]**

**Q2) a)** i) Write a note on importance of Capital Structure. **[5]**  
ii) Compute (WACC) Weighted Average Cost of Capital based on following for a Company. **[5]**

Source	Rs. in Lakh
1) Equity Share Capital (20,000 shares)	40
2) 16% Preference share capital	10
3) 14% debentures	30

The company pays dividend at 10%.

OR

b) i) Explain various factors affecting Capital Structure of the organization. **[5]**  
ii) The entire capital structure of a company is provided. Determine the after tax Weighted Average Cost of Capital (WACC), assuming the tax rate of 25%. **[5]**

Components of Capital	Amount (Rs.)
Equity Capital (Expected dividends 11%)	15,00,000
10.5% Preference shares	10,00,000
9% debentures	20,00,000

**P.T.O.**

**Q3) a)** The following is Balance Sheet on 31<sup>st</sup> March 16 of the company. **[10]**

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 10 each	6,00,000	Fixed Assets 35,00,000	
Reserve fund	4,00,000	Less : Depreciation	
Profit & Loss A/c	5,00,000	5,00,000	30,00,000
Long term loans	20,00,000	Stock	6,00,000
Creditors	4,50,000	Debtors	5,00,000
Other current liabilities	2,50,000	Cash	1,00,000
	42,00,000		42,00,000

Additional Information :

- Profit earned during the year is Rs. 4,50,000.
- Market price of share is Rs. 500.
- Ignore provisions regarding taxations.

Calculate the following ratios :

- Debt - Equity Ratio.
- Current Ratio.
- Acid Test Ratio.
- Earning per Share.
- Price Earning Ratio.

OR

**b)** From the following balance sheets prepare fund flow statement & also prepare statement showing changes in working capital.

Balance Sheets

Liabilities	31/12/1994	31/12/1995	Assets	31/12/1994	31/12/1995
Equity Share Capital	1,00,000	1,20,000	Building	55,400	1,13,200
Preference share capital	-	10,000	Machinery	35,600	51,300
General Reserve	6,000	11,000	Furniture	2,400	2,500
Profit & Loss A/c	7,500	20,700	Stock	36,500	38,000
5% Debentures	-	26,000	Debtors	32,100	38,000
Sundry Creditors	43,500	48,400	Bank	4,800	4,000
Bank Overdraft	9,800	10,900			
	1,66,800	2,47,000		1,66,800	2,47,000

Adjustment:

Depreciation written off during the year on machinery Rs. 12,800 & furniture Rs. 400. **[10]**

**Q4) a)** From the following information of a Company suggest which of the machine to be purchased Expected earnings after tax are given below. Each machine requires investment of Rs. 4,00,000. **[10]**

Year	Machine A Cash Flow	Machine B Cash Flow
0	(4,00,000)	(4,00,000)
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,40,000	1,20,000
5	1,60,000	80,000

Cost of Capital is 10%. Calculate Net present value & profitability Index.

OR

- b) M/s. Balkrishna Industries Ltd. has following investment proposal which requires investment of Rs. 53,00,000 & has following income as cash inflows;

Year	Cash Inflows
1	16,00,000
2	18,00,000
3	20,00,000
4	15,00,000
5	15,00,000
6	10,00,000

Assume cost of capital as 10%. Calculate payback period, Net Present Value and Profitability Index. [10]

- Q5) a) Prepare a statement showing working capital requirement to finance a level of activity of 10,400 units per year. The cost structure is provided below;

Particulars	Cost /unit (Rs.)
Raw material	10
Direct Labour	5
Overheads	7
Profit	5

Additional Information :

- i) Average raw material in stock-one month.
- ii) Average material in process - 2 weeks (Assume 50% of completion stage with full material consumption).
- iii) Average finished goods in Stock-one and half month.
- iv) Credit allowed by suppliers - one month.
- v) Credit allowed to debtors - one month.
- vi) Time lag in payment of wages - 2 weeks.
- vii) Time lag in payment of overheads - 1 month.
- viii) Cash basis sales - 25%.
- ix) Cash balance is expected to be Rs. 15,000.

The production is carried out evenly throughout the year.

[10]

OR

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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	<u>850</u>

Additional Information :

- Selling price : Rs. 1000 per unit.
- Output - Rs. 52,000 units per annum.
- Raw material in Stock-Average 4 weeks.
- Work in progress (Assume 50% of completion stage with full material consumption) - Average 2 weeks.
- Finished goods in stock - Average 4 weeks.
- Credit allowed by suppliers - Average 4 weeks.
- Credit allowed to Debtors - Average 8 weeks.
- 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]

