Total No. of Questions : 5]

SEAT No. :

P2185

[Total No. of Pages : 4

[5465]-2002
M.B.A.
202 : FINANCIAL MANAGEMENT
(2016 Pattern) (Semester - II)

Time : 2¼ Hours] *[Max. Marks : 50*

Instructions to the candidates:

1) *Attempt all questions.*
2) *Figures to the right indicates marks.*
3) *Use of simple calculator is allowed.*

Q1 'Wealth maximisation is better than profit maximisation' Do you agree? Justify your comment. **[10]**

OR

Explain modern approaches to Financial Management. **[10]**

Q2) a) Calculate weighted average cost of capital from the following: **[10]**

Source of capital	Book value of capital in rupees	Specific cost %
Equity shares	25,00,000	11
Preference shares	18,00,000	13
Bank loan	13,00,000	10

b) What are the factors affecting capital structure? **[10]**

OR

a) The market price per share of equity of PQR Ltd. is Rs.250. The expected dividend is Rs.25 per share and expected growth rate is 8% p.a. Calculate cost of equity.

b) What are the different sources of finance available in present scenario?

Q3) Prepare Fund flow Statement from the following information. **[10]**

Liabilities	F.Y. 2015-16	F.Y. 2016-17	Assets	2015-16	2016-17
Equity shares	80,000	1,15,000	Plant	15,000	20,000
Creditors	21,200	14,000	Stock	24,200	27,200
P&L A/c	2,800	6,200	Debtors	36,200	34,000
			Cash Balance	28,600	54,000
	1,04,000	1,35,200		1,04,000	1,35,200

OR

P.T.O.

Comment on the following ratios of ABC Ltd. **[10]**

Ratio Value	2015-16	2016-17
Gross profit	30%	24%
Net Profit	24%	26%
Debtors Turnover Ratio	6	4
Current Ratio	2.5:1	4.5:1
Quick Ratio	1:1	2:1
Inventory Turnover Ratio	7	5
Fixed Assets Turnover	5	5
EPS	6	6
Debt to Equity Ratio	4	2
Return on equity	17%	18%

Q4) A company is considering an investment proposal to install new milling controls at a cost of Rs.50,000. The facility has a life expectancy of 5 years and no salvage value. The tax rate is 35%. Assume the firm uses straight line depreciation and the same is allowed for tax purposes. The estimated cash flows before depreciation and tax (CFBT) from the investment proposal are as follows:

Year	CFBT - Rupees
1	10,000
2	11,000
3	15,000
4	20,000
5	25,000

Calculate Pay back period and ARR **[10]**

OR

A Firm whose cost of capital is 10% and considering two mutually exclusive proposals X and Y. The details of which are as follows:

Particulars	Proposal X	Proposal Y
Initial investment	15,00,000	15,00,000
Cash inflows for 1st year	1,50,000	6,00,000
2nd year	2,50,000	6,50,000
3rd year	3,50,000	5,50,000
4th year	5,50,000	4,50,000
5th year	4,00,000	3,50,000

Calculate NPV @10% (PV factor 0.909, 0.826, 0.751, 0.683 and 0.621 for respective 5 year) **[10]**

Q5) A Proforma cost sheet of a company provides the following particulars:

Elements of cost	Amount per unit
Raw material	80
Direct labour	30
Overheads	60
Total cost	170
Profit	30
Selling price	200

The following further particulars are available

Raw materials are in stock for one month

Credit allowed by supplier is one month

Credit allowed to customers is two months

Lag in payment of wages 1½ weeks

Lag is payment of overheads one month

Materials are in process for an average of half month (50% to be considered for labour and other overheads)

Finished goods are in stock for an average of one month

¼ output is sold against cash

Cash in hand and at bank is expected to be Rs.25,000.

Prepare working capital needed to finance a level of activity of 1,04,000 units of product.

You may assume that production is carried on evenly throughout the year. Wages and overheads accrue similarly and a period of 4 weeks is equivalent to a month. **[10]**

OR

The management of Ram Industries has called a statement showing the working capital needs to finance a level of activity of 1,80,000 units of output for the year. The cost structure of a product as follows: **[10]**

Elements of cost	Cost per unit (Rs.)
Raw materials	20
Direct labour	5
Overheads (including depreciation of Rs.5 per unit)	15
	40
Profit	10
Selling price	50

Additional information:

Minimum desired cash balance is Rs.20,000

Raw materials are held in stock on an average for two months

Work in progress (Assume 50% completion stage in respect of labour and overheads) will approximate to half a month's production.

Finished goods remain in warehouse on an average for a month

Suppliers of materials extend a month's credit and debtors are provided two month's credit. Cash sales are 25% of total sales.

There is a time lag in payment of wages of a month and half a month in case of overheads.

Prepare statement showing working capital needs.

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