

Total No. of Questions : 5]

PD2691

SEAT No. :

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[Total No. of Pages : 6]

* PUNE-52 *

[6430]-22

First Year M.B.A.

GC-08-202 : FINANCIAL MANAGEMENT
(2019 Revised Pattern) (Semester - II)

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) All questions are compulsory.
- 2) All questions carry equal marks.
- 3) Use of simple calculator is allowed.

Q1) Solve any Five.

[5×2=10]

- a) Which of the following is considered as complementary to financial Management?
 - i) Cost Accounting
 - ii) Management Accounting
 - iii) Financial Accounting
 - iv) Forensic Accounting
- b) Net profit ratio signifies
 - i) Liquidity position of the organisation
 - ii) Operational efficiency of the organisation
 - iii) Long term solvency of the organisation
 - iv) Short term solvency of the organisation
- c) IRR of the project is that rate where NPV tends to become
 - i) Zero
 - ii) More than zero
 - iii) Less than zero
 - iv) one
- d) Which of the following is not a function of a finance manager?
 - i) Procurement of fund
 - ii) Allocation of fund
 - iii) Risk return payoff
 - iv) Maneuvering the share price

P.T.O.

- e) Which of the following helps in analysing return to equity shareholders?
- Return on Assets
 - Earnings per share
 - Net profit Ratio
 - Return on Investment
- f) Define financial management.
- g) Write the formula of Interest Coverage Ratio.
- h) What is capital Budgeting?

Q2) Answer any Two.

[2×5=10]

- Explain the functions of finance manager.
- Write a note on common size statement.
- Illustrate the concept of Time value of money.

Q3) a) From the following capital structure of a company, calculate the overall cost of capital using,

[10]

- Book value weight
- Market value weight

Source of capital	Book value (₹)	Market value (₹)
Equity share capital (₹10 each)	45,000	90,000
Retained Earnings	15,000	
Preference share capital	10,000	10,000
Debentures	30,000	30,000

The after tax cost of different sources of finance is as under-

- Equity share capital = 14%
- Retained Earnings = 13%
- Preference share capital = 10%
- Debentures = 5%

OR

- b) Following information is given by the CS Ltd. for the year ending 31st March 2023. [10]

Particulars	1 st April 2022 Amount (₹)	31 st March 2023 Amount (₹)
Raw material	45,000	65,356
Work in progress	35,000	51,300
Finished Goods	60,181	70,175
Debtors	1,12,123	1,35,000
Creditors	50,079	70,469
Annual purchase of Raw material (All credit)		4,00,000
Annual cost of production		7,50,000
Annual cost of goods sold		9,15,000
Annual operating cost		9,50,000
Annual sales (all credit)		11,00,000

You may take one year as equal to 365 days. You are required to calculate.

- Net operating cycle period.
- Number of operating cycles in the year.

- Q4) a) The following are the summarised profit and Loss A/c of HP Ltd. for the year ending 31st March 2023 and the Balance sheet as on that date. [10]

Dr. Profit and Loss A/c		Cr	
Particulars	Amount (₹)	Particulars	Amount (₹)
To opening stock	99,500	By Sales (credit)	8,50,000
To Purchases	5,45,250	By Closing stock	1,49,000
To Incidental Expenses	14,250		
To Gross profit	3,40,000		
	9,99,000		9,99,000
To operating expenses	1,95,000	By Gross Profit	3,40,000
To Non-operating expenses	4,000	By Non-operating Income	9,000
To Net profit	1,50,000		
	3,49,000		3,49,000

Balance -sheet

Liabilities	Amount ₹	Assets	Amount ₹
Share capital (2,000 equity shares of ₹10 each)	2,00,000	Land and Building	1,50,000
Reserves	90,000	Plant and Machinery	80,000
Other current liabilities	90,000	Stock in trade	1,49,000
Profit and Loss A/c	60,000	Sundry debtors	41,000
Bills Payable	40,000	Cash and bank balance	30,000
		Bills Receivables	30,000
	4,80,000		4,80,000

Additional Information

i) Average receivables ₹85,000.

ii) Average payables ₹80,000.

Comment on the financial position of the company on the basis of following ratios.

- 1) Net profit ratio
- 2) Return on capital Employed
- 3) Stock Turnover Ratio
- 4) Receivables Turnover Ratio
- 5) Working capital Turnover Ratio

OR

b) Progressive company has the following.

[10]

Capital structure:

Equity capital (₹10 each)	₹10,00,000
15% Debentures	₹8,00,000
Total	₹18,00,000

The company is planning to raise another ₹15,00,000 for modernisation and expansion. The following alternatives are considered.

- To raise amount by equity capital of ₹10 each.
- To raise entire amount by term loan at an interest of 16%.
- To raise 50% amount by equity capital and balance by 16% term loan.
- To raise ₹8,00,000 by equity capital, ₹4,00,000 by 16% term loan and balance by 14% preference capital.

Assuming income tax rate of 50% and an EBIT of ₹8,00,000 advise the company about the proper alternative on the basis of EPS.

Q5) a)

A company is contemplating to invest in a new machine so that the present method of manual production can be changed. The management has two alternatives 'Shakti' and 'Vayu' models, in respect of which the following information is available.

[10]

Particulars	Shakti	Vayu
Cost of machine (₹)	37,500	60,000
Estimated life (years)	5	6
Estimated savings in scrap p.a. (₹)	2,500	3,750
Estimated cost of Indirect material p.a (₹)	1,500	2,000
Estimated savings in direct wages p.a.		
- Employees not required (Nos.)	30	40
- Wages per employee (₹)	750	750
Additional cost of maintenance (₹)	1,750	2,750
Additional cost of supervision (₹)	3,000	4,000

Depreciation may be taken at straight line method. Assume tax rate at 50%. Evaluate the two alternatives on the basis of -

- Pay back period
- Net present value (cost of capital 15%)

OR

- b) A factory produces 96,000 units during the year and sells them at ₹50 per unit. Cost structure of a product is as under- [10]

Element of cost	% of selling price
Raw material	60%
Labour	15%
Overheads	10%
Total cost	85%
Profit	15%
Selling price	100%

Additional information-

- Raw material to one month supply is stored in stores.
- The production process takes one month..
- Finished goods to three months production carried in stock
- Debtors get two months credit
- Creditors allow one and half months credit.
- Time lag in payment of wages and overheads half month.
- Cash and bank balance is to be maintained at 10% of working capital.
- 10% of the sales are made at 10% above the normal selling price.

Draw a forecast of working capital requirement using Total cost approach.

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Total No. of Questions : 5]

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[6380]-2002

[Total No. of Pages :4

First Year M.B.A.

202-GC-08 : FINANCIAL MANAGEMENT

(Revised 2019 Pattern) (Semester- II)

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) All questions are compulsory.
- 2) Figures to the right indicate full marks.
- 3) Use of simple calculator is allowed.
- 4) All questions carry equal marks.

Q1) Solve any Five.

[5×2=10]

- a) Dividend decision is related to _____
 - i) Right issue of shares
 - ii) Distribution of profit
 - iii) Cash flow statement
 - iv) Capital expenditure
- b) State true or false
 - i) Capital budgeting decisions are reversible in nature
 - ii) In NPV technique only the future inflows are discounted
- c) Ratio of Net income to Number of equity shares is known as _____.
 - i) Price-Earnings Ratio
 - ii) Net Profit Ratio
 - iii) Earnings per Share
 - iv) Dividend per share
- d) Define financial management.
- e) Ratio analysis can be used to study liquidity, turnover, profitability etc. of a firm. What does Debt equity ratio help to study?
- f) In case of mutually exclusive proposals
 - i) Only the best project is selected
 - ii) All project with positive NPV are selected
 - iii) Even negative NPV projects may be selected
 - iv) At least two proposals are selected
- g) List the uses of comparative financial statements.
- h) What is Time value of Money?

P.T.O.

Q2) Answer any two:

[10]

- What are the analytical methods and techniques used in analysing financial statements?
- Discuss the functions of Chief Financial Officer.
- Explain the discounted techniques of capital budgeting.

Q3) a) AQ Ltd. has the following Balance Sheet and Income statement. [10]

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Accounts payable	80,000	Cash	25,000
Other current liabilities	20,000	Accounts receivables	60,000
Long term debt	1,00,000	Inventory	65,000
Shareholders equity (50,000 shares)	3,00,000	Long term assets	3,50,000
	<u>5,00,000</u>		<u>5,00,000</u>

Income Statement

Particulars	Amount (₹)
Sales	9,00,000
Less: Cost of goods sold	(4,00,000)
Gross Profit	5,00,000
Less: 1) General and administration expenses	(1,00,000)
2) All other expenses	(2,50,000)
Net Income	1,50,000

You are required to determine -

- Current Ratio.
- Working capital Turnover Ratio.
- Average collection period.
- Inventory Holding period.
- Return on Capital Employed.

OR

- b) The Balance Sheet of a company is as follows -

Liabilities	Amount (₹)	Assets	Amount (₹)
Equity Share Capital	60,000	Fixed Assets	1,50,000
Retained earnings	20,000	Current Assets	50,000
10% long term debt	80,000		
Current liabilities	40,000		
	<u>2,00,000</u>		<u>2,00,000</u>

The company's total asset turnover ratio is 3, its fixed operating costs are ₹1,00,000 and its variable cost ratio is 40% of sales. The income tax is 30% calculate for the company, different types of leverages given that the face value of shares is ₹10 per share.

- Q4) a) Determine the duration of Net operating cycle for each of the two years and comment on increase or decrease. [10]

Particulars	Year 1	Year 2
Stock of raw material	40,000	54,000
Stock of work in process	28,000	36,000
Stock of finished goods	42,000	48,000
Purchases	1,92,000	2,70,000
Cost of Goods Sold	2,80,000	3,60,000
Sales	3,20,000	4,00,000
Debtors	64,000	1,00,000
Creditors	32,000	36,000
Assume 360 days in a year		

OR

- b) A fast growing company has currently an ordinary share capital of ₹250 lakhs consisting of equity shares of ₹100 each. The company is planning to raise another ₹200 lakhs for financing a major expansion programme. The following four options are available.

- Entirely through ordinary shares.
- ₹100 Lakhs through ordinary shares and balance by 15% term loan.
- ₹50 Lakhs through ordinary shares, ₹150 Lakhs through long term borrowing at 15%.
- ₹100 Lakhs through ordinary shares and ₹100 Lakhs through preference shares with 14% dividend.

Expected EBIT of the company is ₹80 Lakhs. Calculate EPS under each alternative and advise the company about most beneficial alternative. Income tax rate is at 50%.

- Q5) a) A company is considering two different investment proposals 'A' and 'B'. The details are as under - [10]

Particulars	Proposal 'A' (₹)	Proposal 'B' (₹)
Investment cost	95,000	2,00,000
Estimated income		
Year 1	40,000	80,000
Year 2	40,000	80,000
Year 3	45,000	1,20,000

Suggest the most attractive proposal on the basis of the NPV method considering that the future incomes are discounted at 12%. What will be your decision if IRR method is applied?

OR

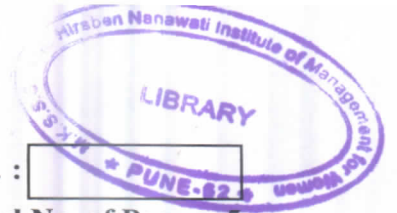
- b) The finance manager of a garment company is preparing its working capital forecast for the next year. Production during the previous year was 15,00,000 units. The same level of activity is intended to be maintained during the current year. The expected ratios of cost to selling price are -

Raw material	40%
Direct wages	20%
Overheads	20%

The raw material ordinarily remain in stores for 3 months before production. Every unit of production remains in the process for 2 months and is assumed to be consisting of 100% raw material, wages and overheads. Finished goods remain in warehouse for 3 months.

Credit allowed by the creditors is 4 months from the date of delivery of raw material and credit given to debtors is 3 months from the date of dispatch. The estimated balance of cash to be held ₹2,00,000. Lag in payment of wages ½ month. Lag in payment of expenses ½ month. Selling price is ₹10 per unit. Prepare an estimate of working capital requirement, after adding 10% for contingencies (except cash) on cash cost basis.





Total No. of Questions : 5]

SEAT No. : []

[Total No. of Pages : 5

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[6201]-202

First Year M.B.A.

GC-08-202 : FINANCIAL MANAGEMENT

(2019 Pattern Revised) (Semester - II)

Time : 2 ½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) All questions are compulsory.
- 2) Figures to the right indicate full marks.
- 3) All questions carry equal marks.
- 4) Use of simple calculator is allowed.

Q1) Answer any five out of eight (2 marks each)

[10]

- a) _____ refers to the that part of capital which is available and used to carrying out the regular business operations.
 - i) Working capital
 - ii) Fixed capital
 - iii) Required capital
 - iv) Current capital
- b) What is Business finance?
- c) What is Internal Rate of Return?
- d) Net operating cycle = (Inventory conversion period + _____) – (_____).
- e) List the factors affecting capital structure of the firm.
- f) List the characteristics of capital budgeting decisions.
- g) The modern approach to financial management view _____.
 - i) The total funds requirement of the firm.
 - ii) The assets to be acquired
 - iii) The pattern of financing the assets
 - iv) All of the above
- h) The figures shown in financial statements are converted to percentages so as to establish each element to the total figure of the statement in _____.
 - i) Comparative financial statements
 - ii) Trend analysis
 - iii) Common size statement
 - iv) Fund flow statement

P.T.O.



Q2) Answer any two [10]

- Explain relevance of Time value of Money in capital budgeting decision.
- “Financial management is nothing but managerial decision making on asset mix, capital mix and profit allocation”. Explain.
- What is working capital? Explain in brief objectives of working capital.

Q3) A) a) The capital structure of a company consists of equity shares of Rs. 50 lakhs; 10% preference shares of Rs.10 lakhs and 12% debentures of Rs. 30 lakhs. The cost of equity capital for the company is 14.7% and income tax rate for this company is 30%. You are required to calculate the WACC. [5]

- b) Annual sales of a company is Rs. 60,00,000. Variable cost is 60% of sales and fixed cost other than interest is Rs. 5,00,000 P.a. Company has 11% debentures of Rs. 30,00,000. You are required to calculate the operating and financial leverage of the company. [5]

OR

- B) RT Ltd., presents you its budgeted profit & loss account for the year ended 31st March 2024 as under and request you to estimate working capital requirement by total cost approach. [10]

Particulars	Amount (Rs.)	Amount (Rs.)
Sales		45,00,000
Less: Expenses		
1) Material	18,00,000	
2) Labour	13,50,000	
3) Expenses	4,50,000	36,00,000
Profit		9,00,000

Additional Information

- The production and sales take place evenly throughout the year.
- Raw material carried in stock for one month and finished goods for half month.
- The production cycle takes one month.
- There is a custom in market both for purchase of raw material and sales of finished goods to give two months credit.
- Time lag in payment of wages is 1 month.
- 25% of sales for cash and balance on credit.
- Cash on hand and at bank Rs. 62,500.

- Q4) a) Given below are the selected ratios for two companies A and B in the same industry along with industry average. [10]

Ratios	A	B	Industry
Current ratio	2.21	5.61	2.41
Acid test ratio	1.21	3.01	1.31
Debt to asset ratio	36%	5%	35%
Operating expenses ratio(%)	18%	17.5%	20%
Number of times interest paid	6	12	5
Stock turnover	8.5	6.5	7
Debtors turnover	11	15	11.4
Rate of Return on total Assets	17%	10%	13%

Can we say on the basis of the above ratios and information, that company 'B' is better than company 'A' because its ratios are better in six out of eight areas?

- OR
- b) A company is considering different methods to finance its investment proposal. It is estimated that initially Rs. 50,00,000 will be needed. Two different alternatives are available to raise the funds. [10]

- To raise Rs. 20,00,000 by sale of equity shares of Rs. 100 each and balance at 18% term loan.
- To raise entire amount by sale of equity shares of Rs. 100 each. The existing capital structure of the company consist of
 - 50,000 equity shares of Rs. 100 each
 - 17% term loan of Rs . 20,00,000

The expected EBIT is Rs. 15,00,000. Advise the company on the basis of EPS in each alternative. Assume income tax rate is 50%.

- Q5) a) XYZ Ltd. is considering purchase of a machine in replacement of an old one. Two machines viz. 'CMW' and 'KLR' are offered at price of Rs. 22,50,000 and Rs. 30,00,000 respectively further, particulars regarding these models are given below: [10]

Particulars	CMW	KLR
Economic life (years)	5	6
Scrap value at the end of economic life	Rs. 2,00,000	Rs. 2,50,000
Net cash inflow (Rs.)		
Year 1	5,00,000	6,00,000
Year 2	7,50,000	8,00,000
Year 3	10,00,000	10,00,000
Year 4	9,00,000	12,00,000
Year 5	8,50,000	10,50,000
Year 6	—	9,50,000

Present value factor at 12% P.a. are as follows:

Year	1	2	3	4	5	6
P.V. factor	0.893	0.797	0.712	0.636	0.567	0.507

Evaluate the two proposals according to pay-back period and net present value method. Which machine would you recommend and why?

- b) Following are the Income statement and Balance sheet of ABC Ltd. for the year 2022 and 2023. Prepare comparative Income statement and comparative Balance sheet. [10]

Income statement

Particulars	2022	2023	Particulars	2022	2023
To COGS	3,00,000	3,75,000	By Net sales	4,00,000	5,00,000
To General expenses	10,000	10,000			
To Selling expenses	15,000	20,000			
To Net Profit	75,000	95,000			
Total	4,00,000	5,00,000	Total	4,00,000	5,00,000

Balance Sheet

Liabilities	2022	2023	Assets	2022	2023
Capital	3,50,000	3,50,000	Land	50,000	50,000
Reserve	1,00,000	1,22,500	Building	1,50,000	1,35,000
Secured loans	50,000	75,000	Plant	1,50,000	1,35,000
Creditors	1,00,000	1,37,500	Furniture	50,000	70,000
Outstanding expenses	50,000	75,000	Cash	50,000	70,000
			Debtors	1,00,000	1,50,000
			Stocks	1,00,000	1,50,000
	6,50,000	7,60,000		6,50,000	7,60,000

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Total No. of Questions : 5]

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SEAT No. :

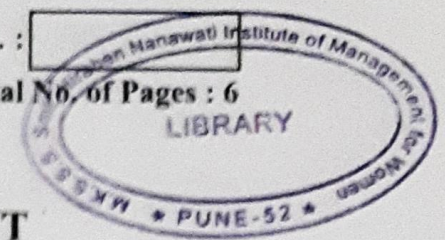
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First Year M.B.A.

202-GC-08 : FINANCIAL MANAGEMENT

(2019 Pattern Revised) (Semester-II)



Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) All questions are compulsory.
- 2) Each question carry equal marks.
- 3) Use of simple calculator is allowed.

Q1) Solve any five

[5×2=10]

- a) maximisation of wealth of Shareholders is reflected in.
 - i) Sales maximisation
 - ii) Number of Shareholders
 - iii) Market price of equity shares
 - iv) Stock market index
- b) Which of the following is a measure of debt service capacity of a firm
 - i) Current Ratio
 - ii) Debt-equity Ratio
 - iii) Debtors turnover Ratio
 - iv) Interest coverage ratio
- c) In case, the firm is all equity financed, WACC would be equal to
 - i) Cost of debt
 - ii) Cost of equity
 - iii) Neither (i) Nor (ii)
 - iv) Cost of equity plus cost of debt
- d) Which is not a part of investment decision in financial management.
 - i) Dividend payout decision
 - ii) Capital budgeting decision
 - iii) Working capital management
 - iv) Credit policy towards customers
- e) The figures shown in financial statement are converted to percentage so as to establish each element to the level of the statement in
 - i) Common size statement
 - ii) Comparative statement
 - iii) Cash flow statement
 - iv) Trend ratios
- f) How wealth of shareholder is calculated ?
- g) Write the formula to compute operating leverage and financial leverage.
- h) Define fund flow statement.

R.T.O.

[2×5=10]

Q2) Solve any 2

- How the wealth maximisation is better operative criterion than profit maximisation.
- Write a note on comparative financial statements.
- Explain the concept of trading on equity.

Q3) a) JKL Ltd. has the following book value capital structure as on 31-03-2023: [10]

Source	Amount (₹)
Equity share capital (2,00,000 shares)	40,00,000
11.5% preference shares	10,00,000
10% Debentures	30,00,000

The equity share of the company sells for ₹ 20 the next expected dividend is Rs. 2 per share. It is expected to grow at 5% p.a. for ever. Assume a 35% corporate tax Rate. Required

- Compute WACC of the company based on the existing capital structure.
- Compute the new WACC, if the company raises an additional ₹ 20 lakhs debt by issuing 12% debentures this would result in increasing the expected equity dividend to ₹ 2.40 and leave the growth rate unchanged, but the price of equity share will fall to ₹ 16 per share.

OR

- ABC Ltd. has an annual sale of 50,000 units at ₹100 per unit the company works for 50 weeks in the year. The cost break up is given as below.

Element of Cost	Cost/Unit (₹)
Raw material	30
Labour	10
Overheads (including depreciation ₹5)	20
Total cost	60
Profit	40
Selling price	100

The company has the practice of storing raw materials for 4 weeks requirement. Wages and other expenses are paid after a lag of 2 weeks. The debtors enjoy a credit of 10 weeks and company gets a credit of 4 weeks from supplier. The processing time is 2 weeks and finished goods inventory is maintained for 4 weeks.

From the above information determine a working capital requirement. Allowing for 15% contingencies by cash cost approach.

- Q4) a)** AB Ltd. has the following profit & loss A/c for the year. Ending 31st March 2023 and the Balance sheet as on that date **[10]**

Profit & Loss Account

Particulars	Amount (₹ in Lakhs)	Particulars	Amount (₹ in Lakhs)
Opening stock	1.75	Sales : Credit	12.00
Add : manufacturing cost	10.75	Sales : Cash	3.00
Less : Closing stock	(1.50)		
Cost of goods sold	11.00		
Gross profit	4.00		
	15.00		15.00
Administrative exp	0.35	Gross profit	4.00
Selling exp	0.25	Royalty income	0.09
Depreciation	0.50		
Interest	0.47		
Income tax	1.26		
Net profit	1.26		
	4.09		4.09

Balance Sheet

Liabilities	Amount (₹ in Lakhs)	Assets	Amount (₹ in Lakh)
Equity shares of Rs. 10	3.50	Plant & Machinery	7.50
10% preference shares	2.00	Goodwill	1.40
Reserve & surplus	2.00	Stock	1.50
Long term loan (12%)	1.00	Debtors	1.00
Debentures (14%)	2.50	Prepaid expenses	0.25
Creditors	0.60	marketable Securities	0.75
Bills payable	0.20	Cash	0.25
Accrued expenses	0.20		
Provision for tax	0.65		
	12.65		12.65

Comment on the financial position of the company on the basis of following ratios.

- i) Current ratio
- ii) Debt equity Ratio
- iii) Interest coverage Ratio
- iv) Stock Turnover Ratio.
- v) Debtors turnover Ratio

OR

- b) XYZ Ltd. has obtained the following data concerning the average working capital cycle for other companies in the same industry. Using the data determine working capital cycle for the company and briefly comment on it

Raw material stock turnover	20 days
Credit received	40 days
WIP turnover	15 days
Finished goods stock turnover	40 days
Debtors collection period	60 days
	95 days

The company has provided following information

Particular	Amount
Sales	30,00,000
Cost of production	21,00,000
Purchases	6,00,000
Average raw material in stock	80,000
Average WIP	85,000
Average FG	1,80,000
Average creditors	90,000
Average Debtors	3,50,000

- Q5) a) Machine a Cost ₹ 1,00,000 payable immediately. Machine B costs ₹1,20,000 half payable immediately and half payable in one year's time. The cash receipts expected are as follows. [10]

year (at end)	Machine A (₹)	Machine B (₹)
1	20,000	0
2	60,000	60,000
3	40,000	60,000
4	30,000	80,000
5	20,000	0

At 7% opportunity cost. Which machine should be selected on the basis of NPV ? Will your decision change if proposals are evaluated on the basis of IRR?

OR

- b) A firm whose cost of capital is 10% is considering two mutually exclusive project X and Y. the details of which are.

Year	Project X (₹)	Project Y(₹)
0	1,00,000	1,00,000
1	10,000	50,000
2	20,000	40,000
3	30,000	20,000
4	45,000	10,000
5	60,000	10,000

Evaluate the project on the basis of Net present value, profitability Index and IRR and suggest most profitable investment.

July 23

Total No. of Questions : 5]

SEAT No. :

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[Total No. of Pages : 4

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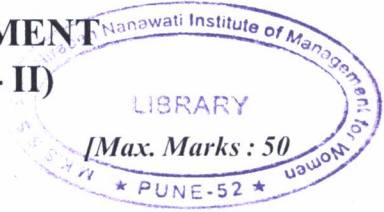
GC-08-202 : FINANCIAL MANAGEMENT

(2019 Pattern Revised) (Semester - II)

Time : 2½ Hours]

Instructions to the candidates:

- 1) All questions are compulsory.
- 2) Figure to the right indicate full marks.
- 3) Use of simple calculator is allowed.
- 4) All questions carry equal marks.



Q1) Solve any five

[5×2=10]

- a) The main point of financial management in a firm is:
 - i) the number and types of products or services provided by the firm.
 - ii) the minimization of the amount of taxes paid by the firm.
 - iii) the creation of value for shareholders.
 - iv) the profits earned by the firm
- b) The term 'capital structure' refers to _____
 - i) long term debt, preferred stock, and common stock equity.
 - ii) current assets and current liabilities.
 - iii) total assets minus liabilities.
 - iv) share holder's equity.
- c) _____ is represented by the total current assets.
 - i) Gross working capital
 - ii) Net working capital
 - iii) Fixed working capital
 - iv) variable working capital
- d) What is Business Finance?
- e) Enlist financial statement of listed company.
- f) What is the formula for calculating interest coverage ratio?
- g) Define the term cost of capital.
- h) What do you mean by leverage?

P.T.O.

Q2) Answer any two. [10]

- a) Explain in brief modern approaches of financial management.
- b) Explain in detail the trend analysis.
- c) Critically examine the various steps involved in capital budgeting process.

Q3) a) xyz Ltd. has provided the following information.

Types of capital	Book Value (Rs.)	Market Value (Rs.)	Specific Cost (After Tax)
Equity capital	10,00,000	15,00,000	15%
Preference share capital	10,00,000	15,00,000	7%
Debt.	2,00,000	1,90,000	4%
Retained Earnings	1,50,000	1,75,000	12%
Total	23,50,000	33,65,000	

Determine the WACC using

- i) Book value of weights.
- ii) Market value of weights. [10]

OR

b) From the following information of xyz Ltd. [10]

Calculate:

- i) Net operating cycle period.
- ii) Number of operating cycles in given period.

Particulars	Amount (Rs.)
Raw materials consumption per annum	8,42,000
Average cost of production	14,25,000
Annual cost of sales	15,30,000
Annual sales	19,50,000
Average value of current Assets held:	
Raw Materials	1,24,000
Work-in-progress	72,000
Finished goods	1,22,000
Debtors	2,60,000

The company gets 30 days credits from its suppliers. All sales made by the firm are on credit only. You can take one year equal to 360 days.

Cash inflow at the end of the year

Year	Project A	Project B
1	5,00,000	10,00,000
2	7,00,000	6,50,000
3	8,50,000	7,00,000
4	6,50,000	4,00,000
5	5,00,000	4,00,000
6		2,00,000

Evaluate which project the company should select on the basis of pay Back period, Net present value and profitability Index.

OR

- b) A proforma cost sheet of xyz Ltd. Provides the following information. [10]

Particulars	Cost Per Unit (Rs.)
Material	35
Labour	20
Overheads	20
Total cost	75
Profit	20
Selling Price	95

Additional information available

- i) Level of Activity Rs. 50000 units
- ii) Raw material are expected to remain in stock for average period of a month.
- iii) Work in progress for average half a month.
- iv) Credit allowed by suppliers is one month.
- v) Credit allowed to customers one month.
- vi) Lag in payment of wages is half a month.
- vii) Lag in payment of overheads is a month.
- viii) Half of sales are on cash basis.
- ix) cash balance expected is Rs. 1,50,000.
- x) Finished goods remain in stock for one month.

The production and sales are consistent. Forecast the working capital requirement for the said level of activity as per cash cost method.



Q4) a) Following are the details of AVD corporation Ltd.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity share capital	7,00,000	Fixed Assets	8,00,000
Reserve & Surplus	4,00,000	Martetable Investment	1,00,000
Creditors	3,00,000	Closing stock	2,00,000
		Debtors	3,00,000
Total	14,00,000	Total	14,00,000

Additional information

Gross profit : Rs. 6,00,000

Opening stock : Rs. 2,00,000

Sales : Rs. 15,00,000

Comment on the financial position of the company on the basis of

i) Working capital Turnover Ratio.

ii) Current ratio

iii) Liquid ratio

iv) Debtors Turnover ratio

v) Creditors Velocity

[10]

OR

b) Analyse the operating, financial and combined leverage under financial plan A and Financial plan B. when the fixed costs are Rs. 1,00,000 and Rs.50,000 in two different situations. [10]

The information regarding capital structure and other data are as under:

Particulars	Amount (Rs.)
Total Assets	6,00,000
Total Assets Turnover based on sales	3
Variable cost as percentage of sales	70%

Particulars	Financial Plan A	Financial Plan B
Equity	7,00,000	2,00,000
10% Debenture	2,00,000	4,00,000

Q5) a) ABC Ltd. is planning to invest in new project. The investment budget of the company is Rs. 40,00,000. The company has following alternatives.

[10]

Particulars	Project A	Project B
Initial investment	25,00,000	25,00,000
Useful lite	5years	6years
Cost of capital	10%	10%