

Total No. of Questions : 5]

PE-5834

[6551]-810

M.B.A.

FM-552 MJ : GC-10 FINANCIAL MANAGEMENT

(2024 Pattern) (Semester - II)

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) All questions are compulsory.
- 2) Each question carries 10 marks.
- 3) All questions have internal options.
- 4) Use of simple calculator is allowed.

Q1) Answer any 5 out of 8 (2 marks each) :

[10]

- a) What is Business Finance?
- b) How is Financial leverage calculated?
- c) Define the term Time value of money.
- d) What is Common size statement?
- e) List out the technique of capital budgeting.
- f) When NPV is positive then, Profitability Index (PI) would be
 - i) > 1
 - ii) < 1
 - iii) $= 1$
 - iv) $= 0$
- g) In the computation of liquid ratio excluded from the current asset is
 - i) Cash in hand
 - ii) Accounts receivable
 - iii) Bank balance
 - iv) Inventory
- h) What is weighted average cost of capital?

P.T.O.

Q2) Answer any 2 out of 3 (5 marks each) :

[10]

- a) Explain various long term sources of finance.
- b) Elaborate the Duties of finance manager.
- c) Explain in brief modern approaches of Financial management.

Q3) a) The following is the Balance sheet of Raju brothers Pvt. Ltd., Pune as on 31st March 2024. **[10]**

Balance Sheet as on 31st March 2024

Liabilities	Amount	Assets	Amount
Share Capital	1,80,000	Land and Building	1,40,000
Profit and Loss A/c	30,000	Plant and Machinery	3,30,000
General Reserves	40,000	Stock in Trade	2,00,000
12% Debenture	4,20,000	Debtors	1,00,000
Creditors	1,00,000	Bills receivable	10,000
Bills payable	50,000	Bank	40,000
Total	8,20,000		8,20,000

Calculate :

- i) Current Ratio
- ii) Quick Ratio
- iii) Inventory to Working Capital
- iv) Debt to Equity
- v) Proprietary ratio

OR

- b) Following are the Income statement and Balance Sheet of Laxmi Enterprises [10]

Income statement for the year 2024-2025

Particulars	Rs.
Sales	10,00,000
Raw material consumed	2,00,000
Wages	2,00,000
Manufacturing expenses	1,00,000
Cost of goods sold	5,00,000
Administrative expenses	50,000
Selling and distribution expenses	50,000
Net profit	4,00,000

Balance sheet as on 31st March 2025

Liabilities	Amount	Assets	Amount
Equity capital	2,00,000	Fixed Assets	2,50,000
Reserves	1,50,000	Stock	2,50,000
Debentures	2,00,000	Debtors	1,00,000
Creditors	1,00,000	Cash & Bank	1,00,000
Bank Overdraft	50,000		
Total	7,00,000		7,00,000

Calculate :

- Working capital turnover ratio
- Fixed asset turnover ratio
- Stock turnover ratio
- Debt equity ratio
- Sales to capital employed

- Q4) a) Following is the information of Chetan Industries Ltd. for the year 31st Mar. 2025. You are required to calculate the working capital requirements from the following information: Explain with total approach method. [10]

Particulars	Rs. (per unit)
Raw materials	160
Direct labour	60
Overheads	120
Total cost	340
Profit	60
Selling price	400

Raw materials are held in stock on an average for 1 month period.

Materials are in process on an average for $\frac{1}{2}$ month period.

Finished goods are in stock on an average for 1 month period.

Credit allowed by suppliers is 1 month period and credit allowed to debtors is 2 month period. Time lag in payment of wages is $1\frac{1}{2}$ weeks.

Time lag in payment of overhead expenses is 1 month.

Cash in hand and at the bank is anticipated to be Rs. 50,000;

$\frac{1}{4}$ th of the sales are made on cash basis.

Level of production 1,04,000 units for a year of 52 weeks. You may assume that production is carried on yearly throughout the year.

OR

- b) The management of Swift Ltd. Has called for a statement showing the working capital needed to finance a level of activity of 3,00,000 units of output for the year. The cost structure for the company's product for the above mentioned activity level is detailed below. Calculate with total approach method. [10]

Cost per unit	Rs.
Raw material	20
Direct labour	5
Overheads	15
Total cost	40
Profit	10
Selling price	50

Past trend indicates that raw materials are held in stock, on an average for two months. Work in progress (50% complete) will approximate to one month production. Finished goods remain in warehouse on an average for a month. Suppliers for materials extend a month's credit. For debtors two months credit is usually allowed. A minimum cash balance of Rs. 25000 is expected to be maintained. The production pattern is assumed to be uniform throughout the year.

- Q5) a) XYZ Company is considering implementation of a project. It has two alternatives viz Project - M & Project - N, both the projects are mutually exclusive the relevant details are as follows : [10]

Rate of capitalization is 10%

Initial Investment Rs.. 15,00,000

Cash Inflows for both the Projects are as

Year	Project - M (Rs.)	Project - N (Rs.)
1	1,00,000	6,50,000
2	2,50,000	6,00,000
3	3,50,000	6,00,000
4	5,50,000	5,75,000
5	7,50,000	5,25,000

Calculate :

- N.P.V.
- Profitability Index (PI)

Comment and advice the company.

OR

- b) A company's capital structure consists of the following: [10]

Equity Shares of Rs 100 each Rs. 40,00,000

Retained Earnings Rs. 10,00,000

9% Preference Shares Rs. 25,00,000

7% Debentures Rs. 25,00,000

The company earns 12% on its employed capital. The tax rate is 50%. The company requires a sum of Rs. 25 lakhs to finance its expansion programme for which it is considering the following alternatives:

- Issue 20,000 equity shares of Rs. 100 each at a premium of Rs. 25 per share.
- Issue 10% preference shares.
- Issue 8% debentures.

You are required to Evaluate each proposal and recommend the best plan.



Total No. of Questions : 5]

PD-2811

SEAT No. :

[Total No. of Pages : 7

[6430]-510

M.B.A.

FM 552 MJ-GC-10: FINANCIAL MANAGEMENT

(2024 Pattern) (Semester - II)

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) All Questions are compulsory.
- 2) Each question carries 10 marks
- 3) All questions have internal options.
- 4) Use of simple calculator is allowed.

Q1) Solve any five :

[10]

- a) What do you mean by financial management?
- b) List the Factors affecting capital Structure of The Firm.
- c) Profitability ratios measure:
 - i) the speed at which the firm is turning over its assets
 - ii) the ability of the firm to earn an adequate return on sales, total assets, and invested capital
 - iii) the firm's ability to pay off short term obligations as they are due
 - iv) the debt position of the firm in light of its assets and earning power

P.T.O.

d) Capitalization is the sum of a corporation's stock, long term debts & _____?

i) Liquid Liability

ii) Retained earnings

iii) Fixed asset

iv) Short term debts

e) Financial leverage refers to the rate of change in earnings per share for a given change in earnings _____

i) Before tax

ii) Before interest

iii) Before interest and tax

iv) After interest and tax

f) List out the discounted cash flow techniques of Capital Budgeting.

g) A project costs Rs. 1,00,000 annual cash flow of Rs. 20,000 for 8 years. Its payback period is _____

i) 1 year

ii) 2 years

iii) 3 years

iv) 5 years

h) What is Operating cycle?

Q2) Attempt any two :

a) Identify factors affecting working capital requirement [5]

b) Explain in brief modern approaches of financial management. [5]

c) Write short note on: Trend Analysis [5]

Q3) a) Following are the Income statement and Balance Sheet of Laxmi Enterprises [10]

Income statement for the year 2024-2025

Particulars	Rs.
Sales	10,00,000
Raw material consumed	2,00,000
Wages	2,00,000
Manufacturing expenses	1,00,000
Cost of goods sold	5,00,000
Administrative expenses	50,000
Selling and distribution expenses	50,000
Net profit	4,00,000

Balance sheet as on 31st March 2025

Liabilities	Amount	Assets	Amount
Equity capital	2,00,000	Fixed Assets	2,50,000
Reserves	1,50,000	Stock	2,50,000
Debentures	2,00,000	Debtors	1,00,000
Creditors	1,00,000	Cash & Bank	1,00,000
Bank Overdraft	50,000		
Total	7,00,000		7,00,000

Calculate-

- i) Working capital turnover ratio
- ii) Fixed asset turnover ratio
- iii) Stock turnover ratio
- iv) Debt equity ratio
- v) Sales to capital employed

OR

- b) From the following Balance Sheet of Parag Ltd., prepare common size Balance Sheet and interpret the results.

Particulars	2022 (₹)	2023 (₹)	Particulars	2022 (₹)	2023 (₹)
Equity Share capital	200,000	3,30,000	Fixed Assets	240,000	350,000
Preference Share capital	100,000	150,000	Stock	40,000	50,000
Reserve and Surplus	20,000	30,000	Debtors	100,000	125,000
Profit and Loss A/C	15,000	20,000	Bills receivables	20,000	60,000
Bank Overdraft	50,000	50,000	Prepaid expenses	10,000	12,000
Creditors	40,000	50,000	Cash in hand	40,000	53,000
Provision for taxation	20,000	25,000	Cash at Bank	10,000	30,000
Proposed Dividend	15,000	25,000			
Total	460,000	680,000		460,000	680,000

Q4) a) A Pro-forma Cost Sheet of a company provides the following particulars: [10]

Elements of Cost	Cost Per Unit (Rs.)
Raw Material	80
Direct Labour	30
Overheads	60
Total Cost of Production	170
Profit	30
Selling Price	200

Following further particulars are available:

- Raw materials are in stock on an average one month.
- Materials are in process on an average half a month (100% material and 50% wages & overheads)
- Finished goods are in stock on an average one month
- Credit allowed by supplier one month
- Credit allowed to debtors two months
- Lag in payment of wages and overheads are 1 month
- One fourth of the output is sold against cash.
- Cash on hand and at bank is expected to be Rs.25000.

You are required to prepare a statement showing the working capital requirement as per total cost method to finance a level of activity of 60,000 units of production annually. The production is carried out evenly throughout the year.

OR

b) Calculate the Cost of Capital in following cases.

[10]

- i) X Ltd. Issues 12% Debentures of face value Rs.100 each 7 realises Rs.95 per Debenture. These Debentures are redeemable after 10 years at a Premium of 10%

OR

- ii) Y Ltd. Issues 14 % Preference Share of Face Value Rs. 100 each at Rs.92. These shares are repayable (Redeemable) at par after 12 Years.

Assume that, both the companies are paying income tax at 50%.

Q5) a) A firm Who's Cost of capital is 10% is considering 2 maturity exclusive projects, the details are: [10]

Particulars	Project "X"	Project "Y"
Investment Cash flow	70,000	70,000
Year 1	10,000	50,000
Year 2	20,000	40,000
Year 3	30,000	20,000
Year 4	45,000	10,000
Year 5	60,000	10,000

Calculate NPV@ 10% and Profitability Index (PI) for the two projects. Also advice which project should be selected based on both methods.

OR

- b) Machine a Cost Rs.1,00,000 payable immediately. Machine B costs Rs.1,20,000 half payable in one years' 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?

