Total No. of Questions : 5]

SEAT No. :

P2190

[Total No. of Pages : 9

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M.B.A. (Semester - II)

202 : FINANCIAL MANAGEMENT

(2013 Pattern) (Revised) (CBCS)

Time : 2½ 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.*
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6) *Draw neat diagrams and illustrations supportive to your answer*
7) *Use of Sample Calculator is permitted.*

Q1) a) Define 'Financial Management' and describe the modern approaches to financial management. **[10]**

OR

b) Explain the duties of Finance Manager in an organisation.

Q2) a) The following are the figures extracted from the books of Mahesh Limited as at 31-3-2018. **[10]**

Particulars	**Amount**
Net Sales	24,00,000
Operating Expenses	18,00,000
Operating Profit	6,00,000
Non-Operating Expenses	2,40,000
Net Profit	3,60,000
Current Assets	7,60,000
Inventories	8,00,000
Fixed Assets	14,40,000
Total Assests	30,00,000
Net Worth	15,00,000
Debt	9,00,000
Current Liabilities	6,00,000
Total Liabilities	30,00,000
Working Capital	960000

P.T.O.

Calculate : 1) Operating Ratio 2) Net Profit Ratio 3) Return on Assets, 4) Inventory Turnover 5) Working capital Turnover

OR

b) The Balance Sheets of National Co. as on 31st December 2018 are as follows :

Liabilities	**2017**	**2018**	**Assets**	**2017**	**2018**
Share Capital	5,00,000	7,00,000	Land &		
Profit & Loss	1,00,000	1,60,000	Building	80,000	1,20,000
General Reserves	50,000	70,000	Plant &		
Sundry Creditors	1,53,000	1,90,000	Machinery	5,00,000	8.00,000
Bills Payable	40,000	50,000	Stock	1,00,000	75,000
Expenses O/s	7,000	5,000	Debtors	1,50,000	1,60,000
			Cash	20,000	20,000
Total Rs	8,50,000	11,75,000	Total Rs	8,50,000	11,75,000

Additional Information:

i) Rs. 50,000 depreciation has been charged on Plant and Machinery during 2018.

ii) A piece of Machinery was sold for Rs. 8,000 during the year 2018. It had cost Rs. 12,000; depreciation of Rs. 7,000 had been provided on it.

Prepare a Schedule of changes in Working Capital and a Statement showing the Sources and Application of Funds for 2018.

Q3) a) Following are the details of three projects A & B. **[10]**

Particulars	Project A	Project B
Cost	50,000	70,000
Life	10	12
Annual Profit	6,000	8,000

Select the best One Using

i) Pay-back Period

ii) Average rate of Return

OR

b) The Alpha Company Ltd is considering the purchase of a new machine. Two alternatives machines (A & B) have been suggested, each costing Rs. 4,00,000. Earning after taxation are expected to be as follows

Year	Cash Flow	
	Machine A	Machine B
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

The company has a target return on capital of 10% and on this basis, you are required to compare the profitability of the machines and state which alternative you consider financially on the basis of'NPV and Profitability Index P. V. Factors@ 10%
(1styr -0.91, 2ndyr -0.83, 3rdyr -0.75, 4thyr -0.68, 5thyr -0.62)

Q4) a) The Management of Gemini 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 product, for the above mentioned activity level is detailed below:
A proforma cost sheet of a company provides the following particulars:

Elements of Cost	***Amount per unit Rs.***
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 on an average for 4weeks. Materials are in process on an average for 2 weeks. Finished goods are in stock on an average for 4weeks. Credit allowed by suppliers is 4weeks. Credit allowed to customers is 8 weeks. Lag in payment of wages is l½ weeks. Lag in payment of overhead expenses is 4weeks. One-fourth of the output is sold against cash. Cash in hand and at bank is expected to be Rs. 15,000.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 1,04,000 units of production.

You may assume that production is carried on evenly throughout the year, wages and overheads accrue similarly. **[10]**

OR

b) A proforma cost sheet of a company provides the following particulars

Elements of Cost

Material	40%
Direct Labour	20%
Overheads	20%

The following further particulars are available:

i) It is proposed to maintain a level of activity of 2,00,000 units.

ii) Selling price is Rs. 12/- per unit.

iii) Raw materials are expected to remain in stores for an average period of one month.

iv) Materials will be in process, on averages half a month.

v) Finished goods are required to be in stock for an average period of one month.

vi) Credit allowed to debtors is two months.

vii) Creditor allowed by suppliers is one month.

You may assume that sales and production follow a consistent pattern.

You are required to prepare a statement of working capital requirements.

Q5) a) i) **[5]**

Source	Book Value
Equity shares	40,000
Retained earnings	10,000
Preference Share	8,000
Debentures	20,000

The after tax cost of difference sources of finance is as follows

Equity Capital = 13%

Retained earnings =12%

Preference Share = 9%

Debentures = 5%

Calculate WACC as per Book Value

ii) Write a note on MM Approach. **[5]**

OR

b) i)

Source	**Market Value**
Equity shares	80,000
Preference Share	8,000
Debentures	20,000

The after tax cost of difference sources of finance is as follows

Equity Capital = 13%

Preference Share = 9%

Debentures = 5%

Calculate WACC as per Market Value

ii) Write a note on NOI Approach.

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Q1) a) What are the basic financial decisions with respect to Business Organisations? **[10]**

OR

b) Define the scope of Financial Management. What role should the financial manager play in a modern enterprise?

Q2) a) From the Balance sheet of Roshni Ltd. as on 31.3.14 and 31.3.15, prepare statements showing changes in working capital and statement of sources and application of funds. **[10]**

Balance Sheet

Liabilities	**2014**	**2015**	**Assets**	**2014**	**2015**
Share Capital	6,75,000	6,75,000	Fixed Assets	6,00,000	4,80,000
General Reserve	4,50,000	4,65,000	Investments	75,000	90,000
P&LA/C	84,000	1,02,000	Stock	3,60,000	3,15,000
Mortgage loan		4,05,000	Debtors	3,15,000	6,82,500
S. Creditors	2,52,000	2,01,000	Cash	2,23,500	2,95,500
Provision for Taxation	1,12,500	15,000			
	15,73,500	18,63,000		15,73,500	18,63,000

Additional information :

i) Net profit for the year was Rs. 93,000 after charging provision for taxation Rs. 15,000 and depreciation on fixed assets.

ii) During the year, part of fixed assets costing Rs. 15,000 were disposed off for Rs. 18,000 and the profit is included in the above profit.

iii) Dividend paid during the year Rs. 60,000.

iv) Investments costing Rs. 12,000 were sold for Rs. 12,750 and further investments were acquired for Rs. 27,000

OR

b) From the following ratios for Moon Ltd., indicate your interpretation of the company's financial position.

Particulars	**Year I**	**Year II**
Net Profit Ratio	5.66	2.60
Current Ratio	1.35	1.03
Debt Equity Ratio	0.89	0.66
Fixed Assets Turnover Ratio	1.66	2.01
Debtors Turnover Ratio	15 times	6.25 times

Q3) a) A firm whose cost of capital is 10 %, is considering two mutually exclusive proposals X and Y, the details of which are as follows : **[10]**

Particulars	**Project X(Rs.)**	**Project Y (Rs.)**
Investments cash inflows at the end of	15,00,000	15,00,000
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
	20,00,000	**29,50,000**

Calculate :1. Net Present Value @10 %

2. Profitability Index @10 %

OR

b) Z Ltd. is examining two mutually exclusive proposals for new capital investment. The data on the proposals are as follows:

Particulars	**Proposal A (Rs.)**	**Proposal B (Rs.)**
Initial cash outflow	27,00,000	30,00,000
Salvage Value	Nil	Nil
Expected Life	6 years	6 years
Depreciation	Straight line method	Straight line method

Earnings before depreciation and income-tax year	**(Rs.)**	**(Rs.)**
1	6,50,000	9,75,000
2	7,25,000	10,00,000
3	8,75,000	11,00,000
4	9,50,000	10,25,000
5	9,00,000	9,50,000
6	8,00,000	8,50,000
Total	49,00,000	59,00,000

The corporate income-tax rate is 50 %. Calculate the following:

i) Pay-back period

ii) Average rate of return.

Q4) a) From the following information, you are required to estimate the net working capital : **[10]**

Particulars	**Cost per unit (Rs.)**
Raw Material	400
Direct Labour	150
Overheads (excluding depreciation)	300
Total	850

Additional information;

Selling price	Rs. 1 ,000 per unit
Output	52,000 units per annum
Raw materials in stock	Average 4 weeks
Work- in-progress	Average 2 weeks
Credit allowed by suppliers	Average 4 weeks
Credit allowed by debtors	Average 8 weeks
Cash at bank expected to be	Rs. 50,000

Assume that production is sustained at an even pace during the 52 weeks of the year. All sales are on credit basis. State any other assumption that you might have made while computing.

Note : For calculating Work-in-progress assume

i) Raw Material 100% completion

ii) Labour 50 % completion

iii) Overheads 50% completion

OR

b) Star Pharma Ltd. sells its products on a gross profit of 20% on sales. The following information is extracted from its annual accounts for the current year ended on 31^{st} March 2016.

Particulars	**Rs.**
Sales at 3 months credit	40,00,000
Raw materials	12,00,000
Wages paid- average time lag 15 days	9,60,000
Manufacturing expenses paid- one month in arrears	12,00,000
Administrative expenses paid- one month in arrears	4,80,000
Sales promotion expenses payable half year in advance	2,00,000

The company enjoys one month's credit from the suppliers of raw materials and maintain a 2 months stock of raw materials and on e and half months stock of finished goods. The cash balance is maintained at Rs. 1,00,000 as a precautionary measure. Assuming a 10 % margin, find the out the working capital requirements of the company.

Q5) a) Write Short notes on (Any TWO) : **[10]**

i) Capital Structure.

ii) WACC

iii) MM Approach

OR

b) Explain the NI approach and NOI approach. Illustrate you answer with the graph.

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