

April / May 2012

Total No. of Questions : 9]

SEAT No. :

P526

[Total No. of Pages : 3

[4175] - 202

M.B.A.

202 : FINANCIAL MANAGEMENT

(2008 Pattern) (Sem. - II)

Time : 3 Hours]

[Max. Marks : 70

Instructions to the candidates:-

- 1) Question number 1 is compulsory.
- 2) Attempt any two questions from section I & section II.
- 3) Use of simple calculator is allowed.
- 4) Figures to the right indicate full marks.

Q1) What is Financial system? Explain its functions. [10]

SECTION - I

Q2) Explain in detail various sources of finance available to support working capital needs? [15]

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Q3) What are the limitations of financial statements? What do you understand by analysis of financial statement? Describe the uses of such analysis. [15]

Q4) Define capitalization. Explain the various theories of capitalisation. [15]

Q5) Write short notes (Any Three) [15]

- a) Capital Rationing.
- b) Bonus shares
- c) Time value of money.
- d) Cash Management.
- e) Financial planning.

SECTION - II

Q6) Prepare an estimate of working capital requirement from the following data of a trading concern. [15]

- a) Projected annual sales 80,000 units.
- b) Selling price Rs. 8 per unit.
- c) Percentage net profit as sales 20.
- d) Average credit period allowed to customers – 10 weeks.

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- e) Average credit period allowed to suppliers – 8 weeks.
 - f) Average stock holding in terms of sales requirement – 10 weeks.
 - g) Allow 20% for contingencies.
- Assuming 52 weeks in a year.

Q7) The directors of Bharucha Enterprises Ltd ask you to ascertain : [15]

- a) Proprietor's fund
- b) Fixed Assets.
- c) Closing Debtors.
- d) Closing Creditors.
- e) Closing Stock.
- f) Share Capital.
- g) Cash and Bank Balance.

From the following information :

- i) Inventory turnover ratio is 6 times.
Year end debtors are outstanding for 2 months.
Year end creditors are outstanding for 73 days.
- ii) Ratios of cost of goods sold to :
1) Proprietor's funds is 2 : 1.
2) Fixed Assets is 4 : 1.
- iii) Ratio of gross profit to sales is 20%
- iv) Closing stock is greater than opening stock by Rs. 10,000 /-
- v) The gross profit for the year ended 31st March 2011 is Rs. 1,20,000.
- vi) Reserves and surplus appearing in the Balance sheet as at 31st March 2011 total to Rs. 40,000/-

Q8) A company is considering an investment proposal to install a new machine. The project will cost Rs. 50,000 and will have a life of 5 years and no salvage value. The company's tax rate is 35% and no investment allowance is allowed. This firm uses straight line method of depreciation. The estimated net income before depreciation and tax from the proposed investment proposal are as follows : [15]

| Year | Net income before depreciation & tax (Rs.) |
|------|--|
| 1 | 10,000 |
| 2 | 11,000 |
| 3 | 14,000 |
| 4 | 15,000 |
| 5 | 25,000 |

Compute the following :

- Pay back period.
- Average Rate of Return.
- Net present value at 10% discount Rate.
- Profitability index at 10% discount Rate.

Following are the present value factors @ 10%

| Year | P.V. Factors at 10% | Year | P.V. factors at 10% |
|------|---------------------|------|---------------------|
| 1 | 0.909 | 4 | 0.683 |
| 2 | 0.826 | 5 | 0.751 |
| 3 | 0.621 | | |

- Q9)** Calculate operating, financial and combined leverage under financial plan X and financial Plan Y when the fixed costs are Rs. 50,000 and Rs. 1,00,000 in two different situations. The information regarding capital structure and other data are as under. [15]

| | Rs. |
|--------------------------------------|----------|
| Total Assets | 5,00,000 |
| Total Assets turnover based on sales | 2 |
| Variable cost as percentage of sales | 60 |

| | Financial Plan 'X' (Rs) | Financial Plan 'Y' (Rs) |
|---------------|----------------------------|----------------------------|
| Equity | 5,00,000 | 1,00,000 |
| 10% debenture | 1,00,000 | 5,00,000 |

