

Total No. of Questions : 9]

SEAT No. :

P1717**[4770] - 202****[Total No. of Pages : 3****M.B.A.****202 : FINANCIAL MANAGEMENT
(2008 Pattern) (Semester - 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 & two questions from Section II.*
- 3) *Use of simple calculator is allowed.*
- 4) *Figures to the right indicate full marks.*

Q1) Explain the various finance functions. [10]**SECTION - I****Q2) What is financial planning? What are the characteristics essential for a sound financial plan & also explain the process of financial planning. [15]**

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Q3) What do you understand by under capitalization & over capitalization? Explain the causes & effects of the same? [15]**Q4) Explain any 3 methods of evaluating capital expenditure proposals with an appropriate example? [15]****Q5) Write short Notes on (Any 3): [15]**

- a) Factors affecting dividend policy.
- b) Cash Budget.
- c) Fund Flow Analysis.
- d) Bonus Shares.
- e) Disclosure requirements of Fixed Assets as per Schedule VI.

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SECTION - II

- Q6)** Estimate working capital requirement for a activity of 1,00,000 units. Add 10% contingency to the total working capital. All are credit sales.

Particulars	Cost per unit (Rs.)
Raw Material	42.50
Direct Labour	14.80
Overheads	<u>42</u>
Total Cost	99.30
Profit	<u>20.70</u>
Selling price	<u>120.00</u>

Additional Information:

Stock of raw materials held - 4 weeks work in Progress (50% completion stage) - 2 weeks

Stock of finished goods - 4 weeks.

Purchases - 1 month credit allowed.

Credit sales - 2 months Credit period.

Delay in payment of wages - 2 weeks.

Cash at bank and in hand - Rs. 1,00,000.

[15]

- Q7)** A company's whose cost of capital is 12% is considering two projects 'A' & 'B'. The following data are available:

	Project A	Project B
	Rs.	Rs.
Investment	1,40,000	1,40,000
Cash flows		
Year 1	20,000	1,00,000
Year 2	40,000	80,000
Year 3	60,000	40,000
Year 4	1,00,000	20,000
Year 5	<u>1,10,000</u>	<u>20,000</u>
	<u>3,30,000</u>	<u>2,60,000</u>

Select the most suitable project by using Net Present Value method.

The present value of Re. 1 at 12% are:

Year 1	0.90
Year 2	0.80
Year 3	0.70
Year 4	0.60
Year 5	0.55

[15]

Q8) From the following information Prepare a Balance sheet.

[15]

Current Ratio = 2

Liquid Ratio = 1.5

Fixed assets to Net investments = 0.75

Working capital = Rs 1,00,000

Reserves & Surplus = 75,000 Rs.

Bank overdraft = 30,000 Rs.

The firm does not have any long term loans.

Q9) Calculate the operating leverage, financial leverage & combined leverage from the following details:

[15]

Selling price per unit = Rs. 150

Variable cost per unit = Rs. 100

Fixed Costs = Rs. 6,00,000

Production & sales = 20,000 units

The capital structure of the company under alternate financing plan is as follows:

Particulars	Plan I	Plan II
Equity Capital	20,00,000	10,00,000
16% Debentures	10,00,000	20,00,000
Total	30,00,000	30,00,000

