

MAR-APR 11
2023

Total No. of Questions : 5]

SEAT No. :

P3815

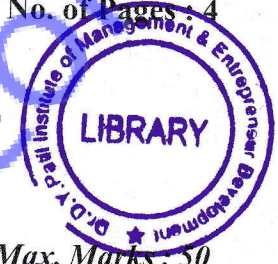
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M.B.A. - I

GC-08-202 : FINANCIAL MANAGEMENT

(2019 Pattern Revised) (Semester - II)



[Max. Marks : 50

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.

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%

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.

