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SEAT No. :

PD2691

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[6430]-22

First Year M.B.A.

**GC-08-202 : FINANCIAL MANAGEMENT
(2019 Revised Pattern) (Semester - II)**

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) All questions are compulsory.
- 2) All questions carry equal marks.
- 3) Use of simple calculator is allowed.

Q1) Solve any Five.

[5×2=10]

- a) Which of the following is considered as complementary to financial Management?
 - i) Cost Accounting
 - ii) Management Accounting
 - iii) Financial Accounting
 - iv) Forensic Accounting
- b) Net profit ratio signifies _____.
 - i) Liquidity position of the organisation
 - ii) Operational efficiency of the organisation
 - iii) Long term solvency of the organisation
 - iv) Short term solvency of the organisation
- c) IRR of the project is that rate where NPV tends to become _____.
 - i) Zero
 - ii) More than zero
 - iii) Less than zero
 - iv) one
- d) Which of the following is not a function of a finance manager?
 - i) Procurement of fund
 - ii) Allocation of fund
 - iii) Risk return payoff
 - iv) Maneuvering the share price

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- e) Which of the following helps in analysing return to equity shareholders?
- Return on Assets
 - Earnings per share
 - Net profit Ratio
 - Return on Investment
- f) Define financial management.
- g) Write the formula of Interest Coverage Ratio.
- h) What is capital Budgeting?

Q2) Answer any Two. [2×5=10]

- Explain the functions of finance manager.
- Write a note on common size statement.
- Illustrate the concept of Time value of money.

Q3) a) From the following capital structure of a company, calculate the overall cost of capital using, [10]

- Book value weight
- Market value weight

Source of capital	Book value (₹)	Market value (₹)
Equity share capital (₹10 each)	45,000	90,000
Retained Earnings	15,000	
Preference share capital	10,000	10,000
Debentures	30,000	30,000

The after tax cost of different sources of finance is as under-

- Equity share capital = 14%
- Retained Earnings = 13%
- Preference share capital = 10%
- Debentures = 5%

OR

- b) Following information is given by the CS Ltd. for the year ending 31st March 2023. [10]

Particulars	1 st April 2022 Amount (₹)	31 st March 2023 Amount (₹)
Raw material	45,000	65,356
Work in progress	35,000	51,300
Finished Goods	60,181	70,175
Debtors	1,12,123	1,35,000
Creditors	50,079	70,469
Annual purchase of Raw material (All credit)		4,00,000
Annual cost of production		7,50,000
Annual cost of goods sold		9,15,000
Annual operating cost		9,50,000
Annual sales (all credit)		11,00,000

You may take one year as equal to 365 days. You are required to calculate.

- Net operating cycle period.
- Number of operating cycles in the year.

- Q4) a)** The following are the summarised profit and Loss A/c of HP Ltd. for the year ending 31st March 2023 and the Balance sheet as on that date. **[10]**

Dr. Profit and Loss A/c Cr			
Particulars	Amount (₹)	Particulars	Amount (₹)
To opening stock	99,500	By Sales (credit)	8,50,000
To Purchases	5,45,250	By Closing stock	1,49,000
To Incidental Expenses	14,250		
To Gross profit	3,40,000		
	9,99,000		9,99,000
To operating expenses	1,95,000	By Gross Profit	3,40,000
To Non-operating expenses	4,000	By Non-operating Income	9,000
To Net profit	1,50,000		
	3,49,000		3,49,000

Balance -sheet

Liabilities	Amount ₹	Assets	Amount ₹
Share capital (2,000 equity shares of ₹10 each)	2,00,000	Land and Building	1,50,000
Reserves	90,000	Plant and Machinery	80,000
Other current liabilities	90,000	Stock in trade	1,49,000
Profit and Loss A/c	60,000	Sundry debtors	41,000
Bills Payable	40,000	Cash and bank balance	30,000
		Bills Receivables	30,000
	4,80,000		4,80,000

Additional Information

- Average receivables ₹85,000.
- Average payables ₹80,000.

Comment on the financial position of the company on the basis of following ratios.

- Net profit ratio
- Return on capital Employed
- Stock Turnover Ratio
- Receivables Turnover Ratio
- Working capital Turnover Ratio

OR

b) Progressive company has the following.

[10]

Capital structure:

Equity capital (₹10 each)	₹10,00,000
15% Debentures	₹8,00,000
Total	₹18,00,000

The company is planning to raise another ₹15,00,000 for modernisation and expansion. The following alternatives are considered.

- To raise amount by equity capital of ₹10 each.
- To raise entire amount by term loan at an interest of 16%.
- To raise 50% amount by equity capital and balance by 16% term loan.
- To raise ₹8,00,000 by equity capital, ₹4,00,000 by 16% term loan and balance by 14% preference capital.

Assuming income tax rate of 50% and an EBIT of ₹8,00,000 advise the company about the proper alternative on the basis of EPS.

Q5) a) A company is contemplating to invest in a new machine so that the present method of manual production can be changed. The management has two alternatives 'Shakti' and 'Vayu' models, in respect of which the following information is available. [10]

Particulars	Shakti	Vayu
Cost of machine (₹)	37,500	60,000
Estimated life (years)	5	6
Estimated savings in scrap p.a.(₹)	2,500	3,750
Estimated cost of Indirect material p.a (₹)	1,500	2,000
Estimated savings in direct wages p.a.		
- Employees not required (Nos.)	30	40
-Wages per employee (₹)	750	750
Additional cost of maintenance (₹)	1,750	2,750
Additional cost of supervision (₹)	3,000	4,000

Depreciation may be taken at straight line method. Assume tax rate at 50%. Evaluate the two alternatives on the basis of -

- Pay back period
- Net present value (cost of capital 15%)

OR

- b) A factory produces 96,000 units during the year and sells them at ₹50 per unit. Cost structure of a product is as under- [10]

Element of cost	% of selling price
Raw material	60%
Labour	15%
Overheads	10%
Total cost	85%
Profit	15%
Selling price	100%

Additional information-

- i) Raw material to one month supply is stored in stores.
- ii) The production process takes one month.
- iii) Finished goods to three months production carried in stock
- iv) Debtors get two months credit
- v) Creditors allow one and half months credit.
- vi) Time lag in payment of wages and overheads half month.
- vii) Cash and bank balance is to be maintained at 10% of working capital.
- viii) 10% of the sales are made at 10% above the normal selling price.

Draw a forecast of working capital requirement using Total cost approach.

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