Total No. of Questions : 5]

SEAT No. :

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[Total No. of Pages : 5

[5659] - 2002

M.B.A.

202 : FINANCIAL MANAGEMENT

(Semester - II)

Time : 2 ¼ 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.*
4) *Figures to right indicate marks for that question/sub question.*
5) *Use of simpal calculator is permitted.*
6) *Draw neat diagram and illustrations supportive to your answer.*
7) *Your answer should be specific and to the point.*

Q1) a) Explain wealth maximisation and profit maximisation. **[10]**

OR

b) Explain the functions of finance manager.

Q2) a) i) A firm has sales of Rs. 75,00,000/-, variable cost 42,00,000/- and Fixed cost 6,00,000/-. It has Debt of 45,00,000/- at 9%. What are the operating, Financial And Combined Leverege **[5]**

ii) Sagar Ltd has following capital structure.

Source	Rs.
Equity Capital (Expected dividend 12%)	10,00,000/-
10% preference share	5,00,000/-
8% Loan	15,00,000/-

Your Required to calculate weighted Average Cost of capital (WACC) Assuming that 50% as the rate of Income Tax. **[5]**

OR

b) i) Mayank Ltd has following details calculate WACC based on book value weights and market value weights. **[5]**

P.T.O.

Type of Capital	Book Value	Market Value	Specific Cost
Equity	6,00,000	9,00,000	15%
Preference	1,00,000	1,10,000	8%
Debt	4,00,000	3,80,000	5%
Retained Earning	2,00,000	3,00,000	13%
Total	13,00,000	16,90,000	

ii) Calculate the leverages from the following. **[5]**

(Operating. Financial And Combined)

Sales = 25,000 units.

Interest p.a. = Rs. 30,000/-

Selling Price Per unit = Rs. 24/-

Tax Rate = 50%

Variable Cost per unit = Rs. 16/-

No. of equity shares = 10,000

Fixed cost = Rs. 80,000/-

Q3) a) Following are the summarised Balance sheet of ABD Ltd As on 31 march. 2018 And 2019. Your Required to prepare Fund Flow statement for the year ended. **[10]**

Liabilities	2018	2019	Assets	2018	2019
Share capital	4,00,000	5,00,000	Goodwill	-	10,000
General Reserve	1,00,000	1,20,000	Land & Building	4,00,000	3,80,000
P & L A/C	61,000	61,200	Plant & Machinary	3,00,000	3,38,000
Bank Loan	1,40,000	2,70,400	Stock	2,00,000	1,48,000
Creditors	3,00,000	-	Debtors	1,60,000	1,28,400
Provision for Tax	60,000	70,000	Cash	1,000	17,200
Total	10,61,000	10,21,600	Total	10,61,000	10,21,600

Additional Information :

i) Depreciation on plant & machinary 14, 000 And land & Building Rs. 10,000/-

ii) Dividend of Rs. 23, 000/- was paid.

iii) Provision for Tax was made during the year Rs. 33,000/-

OR

b) The Balance Sheet of Sanjay Ltd. as follows. **[10]**

Liabilities	Rs.	Assets	Rs.
Capital	2,50,000	Fixed Assets	2,60,000
Reserves	1,16,000	Investment	40,000
Loan	1,00,000	Stock	1,20,000
Creditor &		Debtors	70,000
Current Liabilities	1,29,000	Cash/Bank	20,000
		Other current Assets	25,000
		Mise. Exp.	60,000
Total	5,95,000	Total	5,95,000

Other details :

i) Sales - 6,00,000/-

ii) Profit Before Int & Tax - 1,50,000/-

Calculate :

1) Current Ratio
2) Stock Turnover Ratio
3) Liquid Ratio
4) Return on Capital Employed Ratio
5) Return on Networth

Q4) a) i) Why is discounted cash flow a superior method for capital budgeting? **[5]**

ii) A company considering the process of replacement of an Asset. The cost of an Asset is Rs. 15 lakhs. The cost of the company capital is 10%. The expected cash Inflow for 5 years as follows.

	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Inflow	4 Lakhs	4 Lakhs	6 Lakhs	6 Lakhs	4 Lakhs
PVF @ 10%	0.909	0.826	0.751	0.683	0.621

Calculate NPV @ 10% And Profitability Index. **[5]**

OR

b) i) Does IRR model make significantly different decision than NPV method? **[5]**

ii) AB Ltd. is planning to invest in new project. The Investment Budget of company is Rs. 5,60,000/- The company has following Investment Alternative. **[5]**

Particulars	Year	Project 'S'	Project 'Q'
Investment	0	5,60,000	5,60,000
Cash In flow	1	80,000	4,00,000
	2	1,60,000	3,20,000
	3	2,40,000	1,60,000
	4	3,60,000	80,000
	5	4,80,000	80,000

Compute

1) NPV @ 10%

2) Profitability Index

Q5) a) The cost structure of company's product is as follows. **[10]**

Cost Per Unit	Rs.
Raw Material	40
Direct Labour	10
Overheads	30
Total cost	80
Profit	20
Selling Price	100

i) Annual Production is 2,50,000

ii) It is the policy of the company is to maintain the stock of Raw material equivalent to one months production.

iii) Half a month's Production will remain in the process throughout the year (Stage of completion 50%)

iv) The finished goods in warehouse on an overage for a month.

v) The company sells its goods on credit to customer for 2 months.

vi) The supplier allows 03 month credit.

vii) The lag in payment for wages and overheads for one month.

viii) Minimum cash Balance Rs. 50,000/- is expected to be maintained.

Prepare working capital statement.

OR

b) SB Ltd. is commencing a new project to manufacture a plastic component. The annual production of 1,00,000 units. **[10]**

Cost Per Unit	Rs.
Raw Material	80
Direct Labour	30
Overhead (Including Depreciation) Rs. 10/-	60
Total Cost	170

Additional Information :

i) Selling Price Per Unit Rs. 100/-

ii) Raw material in stock, Avg. 4 weeks.

iii) Work in progress, Avg. 2 weeks.

iv) Finished goods in stock, Avg. 4 weeks

v) Credit allowed to customer, Avg. 8 weeks.

vi) Credit allowed by supplier, Avg. 4 weeks.

vii) Lag in payment in of wages and overheads 1.5 weeks.

viii) Cash in hand Rs. 50,000/-

You may assume production is carried out on evenly throughout the year 52 weeks and wages overhead accure similarly. All sales are credit basis only. Your required to prepare working capital statement as per cash cost Approch.

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