

Seat No.	
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M.B.A. - I (Semester - II) (CBCS) Examination, November - 2016**FINANCIAL MANAGEMENT****Sub. Code : 57113****Day and Date : Wednesday, 30 - 11 - 2016****Total Marks : 80****Time : 2.30 p.m. to 05.30 p.m.**

- Instructions :**
- 1) Question No.1 and 5 are compulsory.
 - 2) Attempt any two questions from Question No.2, 3 to 4.
 - 3) Figures to the right indicate marks.

Q1) A Ltd. company is considering to purchase a new machine costing Rs. 5,85,000 and its installation charges amounts to Rs. 15,000. The machine has a working life of 5 years and salvage value will be Rs. 1,00,000. The estimated cash inflows (before depreciation and tax) are as under.

Year	Cashinflows Rs
1	1,00,000
2	1,80,000
3	2,50,000
4	2,00,000
5	1,50,000

Company follows straight line method of depreciation corporate tax rate: 50%

Using 15% discounting rate of return you are asked to calculate :

- a) Net present value
- b) Profitability Index

Year →	1	2	3	4	5
P.V. of Ret at 15% discounting rate →	0.870	0.756	0.658	0.572	0.497

Should the company purchase machine?

[20]

OR

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- A) The following information in respect company XYZ is provided to you:[10]

Balance sheet (31.12.2015)

Liabilities	Rs.	Assets	Rs.
Equity share capital	50,00,000	Fixed Assets	50,00,000
Preference share capital	25,00,000	Cash	5,00,000
Creditors	11,00,000	Stock	25,00,000
Bills Payable	14,00,000	Debtors	20,00,000
Total	1,00,00,000	Total	1,00,00,000

Sales : Rs. 5,00,00,000

Calculate :-

- Current Ratio
 - Assets turnover ratio
 - Stock turnover ratio
 - Debtors turnover ratio
- B) You are asked to estimate working capital requirement of ABC Ltd. Company from the following information. [10]

Particulars	Figures for the year
A) Lagin payment of :-	
a) Wages 1½ week	5,20,000
b) Materials 1½ month	96,000
c) Office staff ½ month	1,24,000
d) Rent 6 months	20,000
e) Sundry expenses 1½ months	96,000
f) Manager ½ month	9600
B) Average amount Locked up in stock of :-	
a) Finished goods	10,000
b) Stores	16,000
C) Pre-payment of expenses :-	
a) Expenses are paid quarterly in advance.	16,000
D) Period of credit given to debtors :	
a) Domestic debtors 6 weeks	6,24,000
b) Foreign debtors 1½ weeks	1,56,000

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- Q2)** a) What do you understand by finance functions? Explain recurring and non-recurring finance functions. [10]
b) Define Ratio. Write the significance of liquidity group ratios, and leverage group ratios. [10]
- Q3)** a) What is working capital? Explain the fixed working capital, and flexible working capital of a business concern. [10]
b) State and explain any four factors that influence the working capital requirement of a business concern. [10]
- Q4)** a) What do you mean by net present value method? Write the significance of net present value in capital budgeting decisions. [10]
b) What is funds flow statement? Explain the procedure of preparing funds flow statement. [10]
- Q5)** Write short notes (any four) : [20]
a) Objectives of financial management
b) Common size statement
c) Working capital cycle
d) Cash flow statement
e) Optimal capital structure
f) Pay back period method

