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B.B.A. (Part - III) (Semester - VI) Examination, Nov. - 2013
FINANCIAL MANAGEMENT (Paper - II)

Sub. Code : 43965

Day and Date : Tuesday, 12 - 11 - 2013

Total Marks : 40

Time : 3.00 p.m. to 5.00 p.m.

- Instructions :**
- 1) All questions are compulsory.
 - 2) Figures to the right indicate full marks.

Q1) Kiran Industries Jaysingpur considering the purchase of machinery. Three alternatives are available, L ML, Tata and P & G, costing Rs.200000, 300000 and Rs.400000 respectively. The life of all the models is 4 years. Expected earnings from the machines after tax but before depreciation are as below :

Model / Year	2013 - 14	2014 - 15	2015 - 16	2016 - 17
L ML	60000	80000	100000	60000
Tata	30000	90000	120000	180000
P & G	80000	140000	180000	180000

Find out which model is more profitable according to Net Present Value Method. The present value of Re. 1 considering discounting factor at 10% is – **[14]**

Year	2013 - 14	2014 - 15	2015 - 16	2016 - 17
Present Value	0.909	0.826	0.751	0.683

OR

What do you mean by Ratio Analysis? What is the significance of Ratio Analysis? Explain different types of Ratios. **[14]**

Q2) Write short answers (any two) :

[16]

a) Jaysingpur Ltd. presents you the following information –

Balance Sheet
as on 31/3/2013

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	600000	Fixed Assets	870000
Reserves and Surplus	400000	Investments	80000
6% Debentures	200000	Current Assets	
Sundry Creditors	300000	Sundry Debtors	130000
Bank Overdraft	200000	Stock	300000
		Bank	250000
		Cash	70000
	1700000		1700000

You are required to calculate the following ratios –

1. Current Ratio,
2. Quick Ratio,
3. Debt Equity Ratio,
4. Inventory working Capital Ratio

b) A company has the following capita structure. Find out the weighted average cost of capital.

Particulars	Book Value	Cost (after tax)
Equity Share Capital	250000	12%
Retained Earnings	100000	8%
Preference Share Capital	100000	5%
Debentures	200000	5%
Total	650000	

- c) Explain in brief Capital Structure theories.
- d) Define capital budgeting and explain the importance of capital budgeting.

Q3) Write short notes (any two) :

[10]

- a) Pay back method.
- b) Importance of trend analysis.
- c) Net income approach.
- d) Usefulness of financial statements.

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B.B.A. (Part - III) (Semester - VI) Examination, 2013**FINANCIAL MANAGEMENT (Paper - II)**

Sub.Code : 43965

Day and Date :

Total Marks : 40

Time :

- Instructions: 1) All the questions are compulsory.
2) Figures to the right indicate full marks.

Q1) Write Broad Answer Question (1 out of 2)**[14]**

- a) 'X' Ltd. is considering the purchase of a new machine. Two alternative are available having cost price Rs. 200,000 (two Lakhs) each. The following inflows are expected during the five years. Life of both the machines is 5 years.

Year	Machine 'A' (Rs.)	Machine 'B' (Rs.)
1 st year	20,000	60,000
2 nd year	60,000	80,000
3 rd year	80,000	1,00,000

The company is expecting 10% return on its Capital. The net present value of Rs. 1 at 10% are as under.

Year	I st year	II nd year	III rd year	IV th year	V th year
P.V. factor @ 10 % Discount	0.909	0.826	0.751	0.683	0.620

You are required to appraise the proposals on the basis of :

- 1) Pay-back period method.
- 2) Average Rate of Return method.
- 3) Net Present Value method.

OR

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- b) What do you understand by analysis and interpretation of financial statement? Explain the Importance of Ratio Analysis.

Q2) Write Short Answer [2 out of 4] [20]

- a) The following is the Balance sheet of a limited Company on 31st March, 2013

Liabilities	Amt (Rs)	Assets	Amt (Rs)
Share Capital	2,00,000	Land and Building	1,40,000
Profit and loss A/C	30,000	Plant and Machinery	3,50,000
General Reserve	40,000	Stock.in-Trade	2,00,000
12 % Debentures	4,20,000	Sundry Debtors	1,00,000
Sundry Creditors	1,00,000	Bills Receivable	10,000
Bills Payable	50,000	Cash at Bank	40,000
	8,40,000		8,40,000

Calculate:- (i) Current Ratio (ii) Quick Ratio (iii) Inventory to working capital (iv) Debt to Equity Ratio (v) Proprietary Ratio.

- b) ABC Ltd. has the following Capital structure

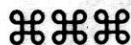
Equity (Expected dividend 12%)	Rs. 10,00,000
10% Preference shares	Rs. 5,00,000
8% Loan	Rs. 15,00,000

You are required to calculate the weighted average cost of Capital, assuming 50% as the rate of income tax, before and after Tax.

- c) State the significance of financial analysis. What is its purpose.
d) What is mean by Capital structure? Explain the factors to be considered while framing Capital structure.

Q3) Write Short Answer (2 out of 4) : [10]

- a) Techniques of evaluation of Capital budgeting.
b) Tools of financial Analysis.
c) Importance of cost of Capital.
d) Usefulness of financial statements.



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B.B.A. (Part-III) (Semester-VI) Examination, March - 2014
FINANCIAL MANAGEMENT (Paper-II)
Sub. Code : 43965

Day and Date : Friday, 21-03-2014
Time : 12.00 noon to 2.00 p.m.

Total Marks : 40

- Instructions :**
- 1) **All questions are compulsory.**
 - 2) **Figures to the right indicate full marks.**

Q1) ABC Company is considering to purchase a machine. Two machines, each costing Rs. 40,000 are available. Earnings after taxation but before charging depreciation are: **[14]**

Year	Cash flows	
	Machine 'X'	Machine 'Y'
	Rs.	Rs.
1	12,000	8,000
2	18,000	16,000
3	20,000	24,000
4	15,000	18,000
5	10,000	14,000

Evaluate two alternatives according to:

- a) Payback period method.
- b) Net present value method using 10% discounting factor.
- c) Profitability index method.

Present value of Re. 1 at 10% discounting factor is given below:

Year	1	2	3	4	5
p.v of Re. 1	0.909	0.826	0.751	0.683	0.621

OR

What is Ratio Analysis? Write and explain any two ratios with their formulae. Write the drawbacks of ratio analysis. **[14]**

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[16]

Q2) Answer any Two of the following:

a) The following information is supplied to you

Particulars	Rs.
Cash	2,10,000
Debtors	3,30,000
Stock	12,30,000
Plant & equipment	16,95,000
Total assets	34,65,000
Sundry creditors	9,00,000
8% debentures	5,00,000
Equity share capital	11,00,000
Retained earnings	9,65,000
Total liabilities	34,65,000
Sales	56,00,000
Cost of goods sold	40,00,000
Other operating expenses	8,00,000
Interest expenses	40,000
Income taxes	2,66,000
Dividends	1,00,000

Calculate:

- Current Ratio
 - Acid Test Ratio.
 - Debt Equity Ratio.
 - Stock Turnover Ratio.
- b) The ABC Company has the following specific cost of capital along with the indicated book and market value weights.

Type of capital	Cost	Book value weights	Market value weights
Equity shares	0.18	0.50	0.58
Preference shares	0.15	0.20	0.17
Long term debt	0.07	0.30	0.25
		1.00	1.00

Calculate the weighted cost of capital, using book and market value weights.

- c) What is capital structure? Explain net operating income approach.
- d) What is cost of capital? Explain in brief specific cost of capital with illustration.

Q3) Write short notes (Any Two):

[10]

- a) Commonsize Statements.
- b) Internal Rate of Return Method.
- c) Trend Analysis.
- d) Profitability Ratios.

