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M.B.A. (C.B.C.S-Cr) (Part - I) (Semester - II) Examination, MAY-2017

FINANCIAL MANAGEMENT

Sub. Code : 57113

Day and Date : Thursday, 18 - 05 - 2017

Total Marks : 80

Time : 11.00 a.m. to 2.00 p.m.

- Instructions : 1) Q.No.1 and Q.No 5 are compulsory.
 2) Attempt any two questions from Q.No2,3 & 4.
 3) Figures to the right indicate marks.

Q1) A company has an investment opportunity costing Rs 40,000 with the following expected net cash flow (i.e. after taxes and before depreciation):-

year	1	2	3	4	5	6	7	8	9	10
Net cash flow(Rs)	7000	7000	7000	7000	7000	8000	10,000	15,000	10,000	4000

using 10% as the cost of capital (rate of discount) determine:-

- a) Net present value at 10% discounting factor.
 b) Internal rate of return with the help of 10% discounting factor and 15% discounting factor.

years	1	2	3	4	5	6	7	8	9	10
P.V.of Relat10%	.909	.826	.751	.683	.621	.564	.513	.467	.424	.386
P.V.of Re lat15%	.870	.756	.658	.572	.497	.432	.376	.327	.284	.247

(20)

OR

- a) You are required to prepare forecast of working capital requirements from the following information.

(10)

P.T.O.

output	10,000 units per annum
Elements of cost:-	
Rawmaterial	Rs 6 per unit
Direct labour	Rs 4 per unit
overheads	Rs 5 per unit
total cost	Rs 15 per unit
profit	Rs 3 per unit
selling price	Rs 18 per unit

Additional information:-

- 1) Raw materials are kept in stock on an average of one month
- 2) work in progress is on an average of 14 days
- 3) finished goods are in stock on an average of 1½ months
- 4) Credit allowed to debtors is 2 months and credit received by creditors is 1 month
- 5) lag in payment of wages is 1 month.

- b) A company has sold goods worth Rs 3,00,000 with a gross profit of 20% The stock at the beginning and at the end of the year was Rs 35,000 and Rs 45,000 respectively.

calculate:- 1) Inventory turnover ratio

2) Inventory holding period.

(10)

- Q2)** a) What is Financial management? write and explain the objectives of financial management. (10)

- b) Explain the functions of finance management. (10)

- Q3)** a) What is Ratio Analysis ? Explain any two ratios with formulaes and illustration. (10)

- b) Write the importance of Ratio analysis. (10)

- Q4)** a) What do you mean by working capital ? explain the factors affecting quantum of working capital requirement of business enterprises. (10)
- b) What do you mean by capital budgeting decision? explain techniques of appraising long term investment proposals (10)
- 5)** Write Short notes (Any Four): [20]
- a) Concept of optional capital structure.
 - b) Cost of different sources of capital.
 - c) Common size statements.
 - d) Trend analysis.
 - e) Funds flow statement.
 - f) Cash flow statement.

