

Seat No.	
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**M.B.A. (Part - I) (Semester - II) Examination, May - 2014**  
**FINANCIAL MANAGEMENT (Paper - II) (CBCS) (New)**  
**Sub. Code : 57113**

Day and Date : Tuesday, 13 - 05 - 2014

Total Marks : 80

Time : 10.00 a.m. to 1.00 p.m.

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

**Q1)** From the following information you are asked to prepare statement showing working capital estimation and also asked to allow for contingencies 10% to your computed figure of working capital. **[20]**

Particulars	Estimated Cost per unit Rs.
Raw material	80
Direct Labour	30
Overheads (Including depreciation Rs.5)	65
<b>Total</b>	<b>175</b>

Additional information :

- a) Selling price Rs. 200 per unit.
- b) Level of activity : 1,04,000 units of production per annum.
- c) Raw material in stock : average 4 weeks.
- d) Work in progress [assume full unit of material required in the beginning of manufacturing, other conversion costs are 50 %], : average 2 weeks.
- e) Finished goods in stock : average 4 weeks.
- f) Credit allowed by suppliers : average 4 weeks.

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- g) Credit allowed to debtors : average 8 weeks.  
 h) Lag in payment of wages : average 1.5 weeks.  
 i) Cash in hand (desired to be maintained) : Rs. 25,000.  
 j) You may assume that the production is carried on evenly throughout the year (52 weeks period) and wages or overheads accrue similarly. All sales are on credit basis only.

OR

- A) The following information is available in respect of company 'A' Ltd. [10]

## Balance-sheet

Liabilities	Rs.	Assets	Rs.
10,000 Equity shares of Rs. 10/-each.	1,00,000	Fixed Assets	2,00,000
General Reserve	50,000	Stock	40,000
Profit and Loss account	1,00,000	Debtors	30,000
18% Debentures	50,000	Cash at Bank	20,000
Creditors	40,000	Prepaid Expenses	10,000
Proposed dividend	10,000		
Total	3,00,000	Total	3,00,000

Profit & Loss Account :

Sales	Rs. 1,00,000
Less : Cost of goods sold	– 80,000
Gross profit	20,000
Less : Expenses	– 10,000
Net Profit	10,000

You are required to calculate the following ratios :

- i) Current ratio                      ii) Liquidity ratio  
 iii) Return on capital ratio      iv) Fixed assets turnover ratio  
 v) Gross profit ratio

- B) XYZ Ltd. is considering two mutually exclusive investments. Both projects involve a cash outlay of Rs. 50,000. The estimated after tax net cash in flows of project "A" are Rs. 10,000 per year for 10 years; and of project "B" are Rs. 16209.44 per year for 5 years. Which projects should be acceptable to the company at 10% cost of capital? [10]
- Q2) a)** What do you mean by finance functions? Explain the modern approach (concept) of finance functions. [10]
- b) Explain the wealth maximisation objective of finance management. [10]
- Q3) a)** What is financial statement analysis? Explain the significance of ratio analysis. [10]
- b) Explain with suitable illustration the following ratios
- i) Profitability Ratios
  - ii) Leverage Ratios [10]
- Q4) a)** Explain the nature of working capital. Write any four determinants of working capital requirement. [10]
- b) What do you mean by capital budgeting decision? Explain the internal rate of return method of appraising capital budgeting proposals. [10]
- Q5) Write short notes [any Four] :** [20]
- a) Profit maximisation objective.
  - b) Financing sources of working capital requirements.
  - c) Turnover ratios.
  - d) Cost of capital.
  - e) Funds flow statement procedure.
  - f) Common size statement.

