

Seat No.	
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M.B.A. (Part - I) (Semester - II) (Regular) Examination, December - 2014

FINANCIAL MANAGEMENT (Paper - X)

Sub. Code : 48329

Day and Date : Saturday, 20 - 12- 2014

Total Marks : 70

Time : 2.30 p.m. to 5.30 p.m.

- Instructions :**
- 1) Q. 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 marks.

Q1) The following information is available in respect of machine 'A' and machine 'B'. [20]

Particulars	Machine 'A'	Machine 'B'
Initial Investment (Rs)	40,000	60,000
Expected Life (Years)	5	5
Salvage value (Rs)	2000	3000
Cash inflow year 1 (Rs)	10,000	40,000
2 (Rs)	20,000	20,000
3 (Rs)	20,000	10,000
4 (Rs)	5,000	6,000
5 (Rs)	5,000	4,000
Total (Rs)	60,000	80,000

The management of the company determines 10% as the desired rate of return for the proposed Investment project i.e. investment in either machine 'A' or machine 'B'. Discount factors at 10% rate are given below:

Year	1	2	3	4	5
P.V.at 10% discount rate	0.909	0.826	0.751	0.683	0.621

- Calculate :-
- i) Net present value.
 - ii) Profitability Index.

P.T.O.

OR

- a) The Balance sheet of a ABC company is given below. [10]

Liabilities	Rs	Assets	Rs
Equity share capital (Shares of Rs. 10 each)	5,00,000	Land & Building	6,00,000
10% preference share capital	2,00,000	Plant & Machinery	5,00,000
Reserve and surplus	3,00,000	Stock in Trade	2,40,000
12% Debentures (Rs. 100 each)	4,00,000	Debtors	1,95,000
Creditors	1,50,000	Cash in hand	60,000
Bank overdraft	50,000	Prepaid Exps.	5,000
Total	16,00,000	Total	16,00,000

- Calculate :-
- Current Ratio
 - Liquid Ratio
 - Debt Equity Ratio
 - Proprietary Ratio

- b) Prepare working capital requirement statement from the following information. [10]

- i) Production 1,56,000 Units per annum.
(one lakh fifty six thousand units)

- ii) Cost per unit & Selling price.

Raw Material	Rs. 90
Direct Labour	40
Overheads	75
Total cost	205
Profit	60
Selling Price	265

- iii) 1) Raw materials are in stock on an average for one month.
- 2) Materials are in process (50% complete) on average for 4 weeks.
- 3) Finished goods are in stock on average for one month.
- 4) Credit allowed by suppliers is one month.
- 5) Time-lag in payment from debtors is Two months.
- 6) Average lag in payment of wages is 1.5 weeks.
- 7) Average lag in payment of overheads is One month.
- 8) 20% of the output is sold against cash. Desired minimum cash in hand Rs. 60,000.

It is assumed that production is carried on evenly through out the year, wages and overheads accrue similarly, and a time period of 4 weeks is equivalent to a month.

[10]

Q2) a) What is financial management? Write the objectives of financial management. **[7]**

b) Explain in brief the non-recurring finance functions. **[8]**

Q3) a) What is Ratio analysis? Explain the Liquidity group ratios along with their formulae. **[7]**

b) Write the limitations of ratio analysis. **[8]**

Q4) a) Define working capital. Write about fixed working capital and fluctuating working capital. **[7]**

b) Explain any five factors that influence the quantum of working capital requirement. **[8]**

Q5) Write short notes-(any four) :

- a) Internal Rate of Return
- b) Concept of optimal capital structure
- c) Short term sources of finance
- d) Pay back period method
- e) Activity group ratios
- f) Cost of capital

