Seat No.	

M.B.A. (Part - I) (Semester - II) (CBCS)
Examination, April - 2016
FINANCIAL MANAGEMENT (Paper - X)
Sub. Code : 57113

Day and Date : Monday, 11 - 04 - 2016 **Total Marks : 80**

Time : 3.00 p.m. to 6.00 p.m.

Instructions : 1) **Q. 1 and Q. 5 are compulsory.**

2) **Solve any 2 from Q.2, Q.3, Q.4.**

Q1) The management of Vishal Ltd has called for a statement showing the working capital needed to finance a level of activity 3,00,000 units for the year. The cost structure for the company is as follows: **[20]**

	Cost PU (Rs.)
Raw Material	20
Direct labour	5
Over heads	15
	40
Profit	10
∴ Selling price	50

a) Past experience indicates that Raw Materials are held in stock on average 2 months.

b) Work in process (100% for material and 50% for lab/ohds) will be ½ month production.

c) Finished goods remain in warehouse on an average for 1 month.

d) Suppliers of material extend 1 month credit.

e) Two months credit is allowed to debtors. Calculation may be done on selling price.

f) A minimum cash balance of Rs. 2500 is kept.

g) Production pattern is even during the year. Prepare the statement of Working Capital Required.

P.T.O.

Q2) From the particulars extracted from financial statements of ABC Ltd. Compute: **[20]**

a) Current Ratio

b) Liquid Ratio

c) Inventory Turnover Ratio

d) Debtors turnover Ratio and Average collection period

Opening Stock	94,000	Sundry Creditors	64,000
Closing stock	1,06,000	Purchases	3,60,000
Sales less Returns	5,04,000	Loose Tools	8,000
Sundry Debtors	80,000	Provision for taxation	30,000
Cash	20,000	Bills Payable	58,000
Bank	16,000	Advance tax paid	16,000
Bills Receivable	30,000		

Q3) Modern Steel Mills is considering the possibility of raising Rs. 5,00,000 by issuing equity shares, preference shares and debentures. The book values and market values of the issues are as follows: **[20]**

Source	Book value	Market value	Csot
Equity Shares	2,00,000	3,00,000	12.5%
Preference shares	1,00,000	1,20,000	9.2%
Debentures	2,00,000	1,80,000	4.65%

Compute the weighted Average cost of capital using

a) Box value weights and

b) Market value weights.

Q4) A ltd. is considering to invest in a project requiring a capital outlay of Rs. 2,00,000. Forecasted annual income after depreciation but before tax is as follows: **[20]**

Year	Amt. (Rs.)
1	1,00,000
2	1,00,000
3	80,000
4	80,000
5	40,000

Depreciation may be taken as 20% on original cost of the asset and taxation at 50% of Net income. You are required to evaluate the project according to each of the following method.

a) Pay back Method

b) Return on Investment Method

c) Discounted Cash flow Method

d) Net present value index method.

Q5) Write Short Notes (Any 4): **[20]**

a) Structure of Finance Department.

b) Leverage Ratios.

c) Financing of working capital.

d) Optimal capital structure.

e) Objectives of Financial Managment.