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M.B.A.-I (Semester-II) (Revised) Examination, 2013**FINANCIAL MANAGEMENT (Paper-IX)****Sub. Code : 48329****Day and Date : Tuesday 21 - 05 - 2013****Total Marks : 70****Time : 10.00 a.m. to 1.00 p.m.**

- Instructions :**
- 1) Q. No. 1 and Q. No. 5 are compulsory.
 - 2) Solve any Two from Q. No. 2, 3 & 4.

Q1) Case study: [20]

From the following capital structure of XYZ Co. Ltd., determine appropriate weighted average cost of capital.

	Rs.
Equity shares (1,00,000)	38,00,000
Pref. shares	8,00,000
Debentures	50,00,000
Bank loan (long-term)	38,00,000
Bank loan (short term)	14,00,000
Trade creditors	6,00,000

Additional information:

- i) Equity shares include the existing 60,000 shares having current market value of Rs. 40 per share and the balance is net proceeds from the new issue in the current year (issue price of the share Rs. 40, flotation cost per share Rs. 5.00) The projected EPS and DPS for the current year are Rs. 8 and Rs. 5 respectively.
- ii) Dividend indicated on preference shares in 12%.
- iii) Pre tax cost of debentures - 11%.
- iv) Interest on bank loan - 12% (long term) and 11.5% (short term).
- v) Corporate tax - 35%, Dividend tax - 10%.
- vi) Market value of preference shares is Rs. 8,50,000.

OR**P.T.O.**

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- Q1) a)** From the following calculate pay back period and NPV by considering tax rate 50% and depreciation under straight line method. The estimated net income before depreciation and tax - [10]

Year	PV@ 10%	Net Income before Dep. & Tax (Rs.)
0	—	(50,000) Investment
1	0.909	10,000
2	0.826	11,000
3	0.621	14,000
4	0.683	15,000
5	0.751	25,000

- b) Also calculate average rate of return and profitability index on the basis of above information Q 1(a). [10]

- Q2) a)** Prepare an estimate of working capital requirement from the following information and considering debtors and creditors are based on cost of sales. [8]

- Project annual sales 1,00,000 units.
- Selling price Rs. 8 per unit.
- Percentage net profit on sales 25.
- Average credit period allowed to customers – 8 weeks.
- Average credit period allowed to suppliers – 4 weeks.
- Average stock holding in terms of sales requirement – 12 weeks.
- Allow 10% to contingences.

- b) Explain the term financial management with its main objectives. [7]

- Q3) a)** Following financial data are given: (Tax 50%) [8]

	Rs.
Sales	2,00,000
Stock	1,00,000
Credit sales	1,50,000
Debtors	75,000
Total assets	3,00,000
Share capital (10,000 shares of Rs. 10 each)	1,00,000
Net profit	50,000
Market price per share	20

Calculate:

- i) Stock Turnover Ratio.
- ii) Debtors Turnover Ratio.
- iii) Price Earning Ratio.
- iv) Earning per share.

b) Explain the nature and scope of financial management. [7]

Q4) a) Define working capital. Explain the factors influencing working capital. [8]

b) Explain long term sources of finance. [7]

Q5) Write short notes on (any Four): [20]

- i) Optimal capital structure.
- ii) Objectives of financial management.
- iii) Cost of capital.
- iv) Short term sources of finance.
- v) Trend analysis.
- vi) Importance of financial statement analysis.

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