

<b>Seat No.</b>	
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**M.B.A. (Part - I) ( Semester –II) Examination, 2010  
FINANCIAL MANAGEMENT (Paper – X)**

Day and Date : Saturday, 20-11-2010  
Time: 10.30 a.m. to 1.30 p.m.

Total Marks : 70

**Instructions :** 1) *Q. 1 and Q. 5 are compulsory*  
2) *Solve **any 2** questions from Question 2,3 and 4.*  
3) *Right hand figures indicate marks.*

**1. Case Study :**

**20**

M/s Neha and Co. has Rs. 2,00,000 to invest. The following proposals are under consideration. The cost of capital for the company is estimated to be 15%.

Project	Initial Outlay (Rs.)	Annual Cashflow (Rs.)	Life of the project
A	1,00,000	25,000	10
B	70,000	20,000	8
C	30,000	6,000	20
D	50,000	15,000	10
E	50,000	12,000	20

Rank the projects on the basis of

- NPV method.
- Profitability Index method.
- Post pay back profitability method.

**P.T.O.**

## Regu – F- 113

The PV of annuity of Rs. 1 received in steady stream discounted at 15%.

8 Years	4.6586
10 Years	5.1790
20 Years	6.3345

2. a) Define cost of capital. Explain different sources of finance. **10**  
b) Explain the concept of weighted average cost of capital. **5**
3. a) Discuss various techniques of financial statement analysis. **10**  
b) State various short term sources of finance. **5**
4. a) Sangam Textile Ltd. Has asked its finance manager to estimate the working capital requirements for the organization for a level of activity of 312000 units of production. The information is as follows :

Particulars	(Rs.) Per unit
Raw materials	45
Direct Labour	20
Overheads	<u>40</u>
Profit	30
Selling price per unit	135

- i) Raw material are in stock on an average 1 month.  
ii) Materials are in process, on average 2 weeks.  
iii) Finished goods are in stock, on average 1 month.  
iv) Credit allowed by suppliers – 1 month  
v) Time Lag in payment from debtors – 2 months.  
vi) Lag in payment of wages -  $1\frac{1}{2}$  weeks.  
vii) Lag in payment of overheads – 1 month.

## **Regu – F- 113**

20% of the output is sold against cash, cash in hand and at bank is expected to be Rs. 30,000. It is to be assured 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.

Estimate working capital requirement of the firm. **10**

b) Explain the concept of estimation of W.C. and financing working capital. **5**

5. Write short notes (**any 4**) : **20**

- a) Accounting Rate of Return
- b) Longterm sources of finance.
- c) Activity Ratios.
- d) Scope of financial management.
- e) Profitability ratios.
- f) Bonus shares.

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