

Seat No.	
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**M.B.A. (Part - I) (Semester - II) (CBCS-Cr) Examination,
December - 2015**

FINANCIAL MANAGEMENT (Paper - II)

Sub. Code : 57113

Day and Date : Monday, 21 - 12 - 2015

Total Marks : 80

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 full marks.

Q1) Following is the information about two machines 'A' and 'B'. One of the two machines is to be purchased. Find out which machine should be purchased on the basis of average rate of return method of capital budgeting decision. The average tax rate may be taken at 50%

Particulars	Machine 'A'	Machine 'B'
Cost of machine	Rs 50,000	Rs 80,000
Working life of machine	4 years	6 years
Earning before Tax year 1	Rs. 10,000	Rs. 8,000
2	Rs. 15,000	Rs. 14,000
3	Rs. 20,000	Rs. 25,000
4	Rs. 15,000	Rs. 30,000
5	-	Rs. 18,000
6	-	Rs. 13,000

OR

A) From the following information, calculate the average amount of working capital required by ABC company.

Particulars	Figures for the year
a) Lag in payment of :-	
i) Wages 1½ weeks	5,20,000
ii) Stores & materials 1½ months	96,000
iii) Office staff ½ month	1,24,000
iv) Rent 6 months	20,000
v) Other Expenses 1½ months	96,000
vi) Manager ½ month	9,600
b) Average amount locked up in:-	
i) Stock of finished goods	10,000
ii) Stock of stores	16,000
c) Prepayment of Expenses:- (Paid quarterly in advance)	16,000
d) Period of Credit given for:-	
i) Domestic sales 6 weeks	6,24,000
ii) Foreign sales 1½ weeks	1,56,000

[10]

B) A firm has made credit sales of Rs. 2,40,000 during the year. The outstanding amount of debt at the beginning and at the end of the year was Rs. 27,500 and 32,500 respectively due from customers to whom goods were sold on credit.

Calculate: i) Debtors turn over ratio

ii) Debtors collection period

[10]

- Q2)** a) Explain how wealth maximisation objective of finance management is superior than profit maximisation objective. [10]
- b) Explain re-curring finance functions of finance management. [10]
- Q3)** a) What do you mean by financial statement analysis? Explain profitability ratios and leverage ratios with their formulae. [10]
- b) What is working capital? Explain the factors that determine the working capital requirement of a business. [10]
- Q4)** a) What do you mean by funds flow statement? Explain the steps involved in the preparation of funds flow statement. [10]
- b) What is capital budgeting decision? Explain the payback period technique of appraising long term investment proposal. [10]
- Q5)** Write short notes (any four): [20]
- a) Trend analysis
 - b) Capital structure
 - c) Cash flow statement
 - d) Optimal capital structure
 - e) Common size statement
 - f) Cost of capital

