

Seat No.	
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M.B.A. (Part - I) (Semester - II) Examination, May - 2014
FINANCIAL MANAGEMENT
(Paper - X)
Sub. Code : 48329

Day and Date : Saturday, 24-05-2014
Time : 10.00 a.m. to 1.00 p.m.

Total Marks : 70

- Instructions :**
- 1) Q1 and Q5 are compulsory and attempt any 2 questions from Q2, Q3 & Q4.
 - 2) Figures to the right indicate full marks.

Q1) A Company supplies you the following information from its annual budget:

- a) Sales Rs.46.80 lakhs (78,000 units) 25% cash sales and balance is credit.
- b) Raw Material cost - 60% of sales value.
- c) Labour cost - Rs.6/- per unit.
- d) Variable overhead - Re 1 per unit.
- e) Fixed overhead Rs. 5 lakhs (including Rs. 1,10,000 as depreciation).
- f) Budgeted stock levels : Raw Material 3 weeks
Work - in - progress 1 week
(Material 100%, labour & overhead 50%)
Finished goods - 2 weeks.
- g) Debtors are allowed credit for 3 weeks.

- h) Creditors allow 4 weeks credit.
- i) Wages are paid bi-monthly i.e by the 3rd week and by the 5th week for 1st and 2nd week and the 3rd and 4th weeks respectively.
- j) Lag in payment of overhead - 2 weeks.
- k) Cash in hand required Rs. 50,000.
- l) Allow 10% margin for contingencies.

Prepare the working capital budget for a year for the company, making the necessary assumptions you deem fit. [20]

Q2) a) Explain the concept of optimal capital structure. [7]

b) State the various long term and short term sources of finance. [8]

Q3) a) From the information given below, calculate the following ratio: [8]

- i) Quick Ratio
- ii) Debt - Equity Ratio.
- iii) Stock turnover Ratio.
- iv) Return on Investment.

Current Assets Rs. 5,00,000, opening stock Rs. 50,000, closing stock Rs. 1,50,000, cost of goods sold Rs. 12,00,000, Gross Profit Rs. 2,00,000, Indirect expenses Rs.20,000, equity shares capital Rs. 7,00,000, 10% preference share capital Rs. 3,00,000, 12% Debentures Rs. 2,00,000, current liabilities Rs. 2,00,000, General Reserve Rs.1,00,000.

b) Given : Break even point = Rs.30,000.

Profit = Rs.1500

Fixed cost = Rs.6000.

Find out the amount of variable cost? [7]

- Q4) a)** Define the term Financial Management and state the objectives of Financial Management. [8]
- b) A company has the following capital structure. Find out the weighted Average cost of capital. [7]

Securities	Book value (Rs.)	After tax cost (%)
1. Equity shares	9,00,000	15%
2. Retained earnings	3,00,000	15%
3. Preference share capital	2,00,000	08%
4. Debentures	16,00,000	06%

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

- Role of Finance Manager in India.
- Common size statement.
- Commercial paper.
- Determinants of working capital.
- Significance of capital budgeting.
- Accounting Rate of Return.

