Seat No.	

M.B.A.-I (Semester-II) (Revised) Examination, Nov. - 2013
FINANCIAL MANAGEMENT (Paper-X)
Sub. Code : 48329

Day and Date : Friday, 29 - 11 - 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. Nos. 2, 3 & 4.**

Q1) Case Study: **[20]**

Three companies A, B and C are in the same business and hence have similar operating risks. However, the capital structure of each of them is different. The following are the details-

	A	B	C
Equity share capital (₹)	4,00,000	2,50,000	5,00,000
(face value ₹ 10 pershare)			
Market value per share (₹)	15	20	12
Dividend per share (₹)	2.70	4.00	2.88
Debentures (₹)	Nil	1,00,000	2,50,000
Market value (MV) per debentures (₹)	–	125	80
Interest rate	–	10	8

Assume the current levels of dividends are generally expected to continue indefinitely and the income tax rate is 35%. You are required to compute the weighted average cost of capital (K_0) of each company.

OR

a) From the following calculate - (i) EPS (ii) Dividend yield on Equity Shares (iii) Price Earning Ratio. **[10]**

Profit after tax @60% ₹ 3,00,000

Market price of E/s - ₹ 50

Depreciation - ₹ 40,000

Equity dividend paid at - 20%

Equity Capital of ₹ 10 shares - ₹ 4,00,000

9% pref. capital - ₹ 2,00,000

b) You are required to find out the net present worth of the following projects, assuming that the cost of capital is 10% and the initial investment of both the projects is ₹ 1600 each. **[10]**

Year	10% DF @₹1.00	Project A (₹)	Project B(₹)
1	0.909	800	200
2	0.826	800	400
3	0.751	400	400
4	0.683	200	400
5	0.621	-	600
6	0.564	-	800

Q2) a) Explain objectives of financial management. **[8]**

b) Explain various sources of finance. **[7]**

Q3) a) From the following projections of XYZ & Ltd for the next year. You are required to determine the working capital required by the company. **[8]**

Actual sales - ₹ 14,40,000

Cost of production (including depreciation of ₹1,20,000)-₹12,00,000

Raw material purchases - ₹ 7,05,000

Monthly expenditure - ₹ 30,000

Estimated opening stock of raw materials ₹ 1,40,000

Estimated closing stock of raw materials ₹ 1,25,000

Inventory norms:

Raw materials 2 months, WIP 1/2 month & Finished goods - 1 month.

The firm enjoys a credit of half a month on its purchases and allows one month credit on its supplies. On sales orders, the company receives an advance of ₹15,000. You may assume that production is carried out evenly throughout the year and minimum cash balance desired to be maintained is ₹ 35,000

b) Explain the concept and need of capital budgeting. **[7]**

Q4) a) Define cost of capital. Explain the concept of optimal capital structure. **[8]**

b) Explain the types of financial statement analysis. **[7]**

Q5) Write short notes on (any 4): **[20]**

a) Structure of finance department.

b) Financial leverage ratios

c) Pay back period.

d) Scope of financial management

e) Estimation of working capital

f) Net present value.

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