

Seat No. : _____

NF-135

December-2015

T.Y. MBA (Integrated)

Financial Management-I

Time : 3 Hours]

[Max. Marks : 100

1. (A) Financial management is something more than art of accounting and book keeping. Explain. **5**

OR

Role of finance manager in an organisation.

- (B) What are the analytical methods used in analysing financial statement ? **5**

- (C) Determine the amount of the following : **10**

(1) A person is required to pay four equal annual payments of ₹ 4,000 each in his deposit account that pays 10% interest per year. Find out the future value of annuity at end of four years.

(2) A sum deposited at a bank fetches ₹ 13,440 after 5 years at 12% simple rate of interest. Find the principle amount.

(3) Mr. X depositing ₹ 2,000 in a recurring bank deposit which pays 9% coupon interest. How much amount Mr. X will get the end of 5th year.

(4) Ascertain the present value of an amount of ₹ 8,000 deposited now in a commercial bank for a period of 6 years at 12% rate of interest.

2. (A) “Efficient cash management will aim at maximizing the availability of cash flow by decentralizing collection and decelerating cash outflows by centralising disbursement.” Discuss. **5**

- (B) Enumerate the sources of working capital in India. **5**

OR

Motives of cash management.

- (C) From the following details you are required to make an assessment of the average amount of working capital required by UK Ltd. 5

Particulars	Average per of credit	Estimate for 1 st year
Purchase of material	6 Weeks	26,00,000
Wages	1.5 Weeks	19,50,000
<u>Overheads :</u>		
Rent, rate etc.	6 Months	1,00,000
Salaries	1 Month	8,00,000
Other overhead	2 Months	7,50,000
Debtors	2 Months	60,00,000
Average amount of stock and WIP		4,00,000

- (D) “Working capital management is nothing more than deciding about the level structure and financing of current asset.” Discuss. 5

3. (A) Ace Ltd. Manufactures a product and the following particulars are collected for the year ended March, 2009. 10

Monthly demand	1000 Units
Cost of placing an order	₹ 100
Annual carrying cost	₹ 15 per unit
Normal usage	50 units per week
Minimum usage	25 unit per week
Maximum usage	75 unit per week
Reorder period	4-6 weeks

You are required to calculate

- (1) Re-order level
 - (2) Re-order quantity
 - (3) Minimum level
 - (4) Maximum level
 - (5) Average stock level
- (B) What is meant by ‘Inventory control’ ? Name the common techniques of inventory control. 5
- (C) As a Credit Manager, determine how would you assess the customer’s creditworthiness in the process of receivable management. 5

4. (A) Solve the following problem : 10

Equity share capital	100000 share of ₹ 10 each	10 Lakh
Reserve and surplus	Retained earning	8 Lakh
12% debenture	5000 number of ₹ 100	5 Lakh

- (i) If the company is paying dividend at 27%, calculate cost of equity and WACC based on book value.
- (ii) If the market value of equity share is ₹ 75 each and if the debenture are quoted at ₹ 95 each. What is WACC based on book value ?

(B) Distinguish between Net operating income approach and “MM approach”. 5

OR

Assumptions based on which MM theory was developed.

(C) Explain what is meant by weighted average cost of capital. 5

5. (A) XYZ Ltd. had following Balance sheet for year ended an 31st March. 10

Liabilities	₹	Asset	₹
Equity share capital (1,00,000 shares of ₹ 10)	10,00,000	Fixed Asset	25,00,000
Reserves and surplus	2,00,000	Current Asset	15,00,000
15% Debenture	20,00,000		
Current liabilities	8,00,000		
Total	40,00,000	Total	40,00,000

Additional information :

- (a) Fixed cost p.a. (exclusive interest) ₹ 8,00,000
(b) Variable operating cost ratio 80%
(c) Total asset turnover ₹ 3,00,000
(d) Income Tax 50%

Required :

- (1) Prepare profitability statement
(2) Earnings per share
(3) Operating leverage
(4) Financial leverage
(5) Combined leverage

- (B) Discuss the major consideration in capital structure planning **5**
- (C) Determine the role of Debt equity ratio in capital structure with appropriate examples. **5**

OR

Explain financial indifference point with examples. **5**
