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2104E273

Candidate's Seat No : \_\_\_\_\_

IMBA Sem.-4 Examination  
Fundamentals of Financial Mgmt  
April-2025

Time : 2-30 Hours]

[Max. Marks : 70

**Q.1 Attempt the following questions:** [14]

a) Define Financial Management. Explain duties of Financial Manager at length.

**OR**

a) Discuss the goals of Financial Management in detail.

b) Tina has invested Rs.2,00,000 in a scheme at 7% rate of interest for 15 years. How much amount she would get at the end of 15<sup>th</sup> year?

**OR**

b) Seema wants Rs. 15,00,000 after 5 years. How much amount she should invest at 7% rate of interest now to get the required amount?

**Q.2 Attempt any two from the following:** [14]

a) Define Working Capital Management. Explain the determinants of working capital requirement.

b) Following information is available for Blue Ltd. :

| Particulars                  | Total Amount<br>(in Rs.) |
|------------------------------|--------------------------|
| Average Raw Material Stock   | 16,000                   |
| Purchase (on credit)         | 1,20,000                 |
| Average Finished Goods Stock | 36,000                   |
| Cost of Goods Sold           | 4,20,000                 |
| Average Creditors            | 18,000                   |
| Average Debtors              | 70,000                   |
| Credit Sales                 | 6,00,000                 |

Assuming total no. of days of a year as 360 days, calculate:

- Finished Goods Conversion Period
- Debtor's Conversion Period
- Creditor's Conversion Period

(P.T.O)

- c) Following data is available for Era Ltd. about costs incurred:

| Particulars        | Total Amount<br>(in Rs.) |
|--------------------|--------------------------|
| Raw materials cost | 1,00,000                 |
| Direct labour cost | 37,500                   |
| Overheads cost     | 75,000                   |
| Total Cost         | 2,12,500                 |
| Profit             | 37,500                   |
| Sales              | 2,50,000                 |

Company keeps raw materials in stock, on an average for 1 month and finished goods stock for half-month.

Company makes payment to suppliers, labour and other overheads immediately in cash. Also, company sells its all of its output on credit. It allows 2 months of credit to its Debtors. Company maintains Rs. 37,500 as cash on hand.

Prepare a statement showing working capital requirement.

**Q.3 Attempt any two from the following: [14]**

- a) Shayona Ltd. wants to issue 9% irredeemable debentures at 5% discount. Face value of the debentures would be Rs.500 per debenture. If tax rate is 30%, what will be the cost of issuing irredeemable debentures?
- b) 'Equity is the costliest source of raising the fund'. Comment.
- c) Calculate weighted average cost of capital from following information:

| Source of Capital        | Cost of Capital | Total Fund (in Rs.) |
|--------------------------|-----------------|---------------------|
| Equity Share Capital     | 28%             | 50,00,000           |
| Retained Earnings        | 27%             | 10,00,000           |
| Preference Share Capital | 15%             | 15,00,000           |
| Debentures               | 13%             | 25,00,000           |

**Q.4 Attempt any two from the following: [14]**

- a) Explain Net Income Approach to Capital Structure in depth.
- b) Following information is available for Alpha Ltd:

Total revenue of the company is Rs.8,00,000. Variable cost and fixed cost of the company are 2,00,000 and 1,00,000 respectively.

Company has issued 10% debenture of Rs.10,00,000. Applicable tax rate is 30%.

From the above information, calculate earnings available to equity share holders. Also calculate Earnings per share by considering no. of equity shares as 1,00,000.

c) Financial Statements of Green Ltd. provides following data:

| Particulars                                | Amount (in Rs.) |
|--------------------------------------------|-----------------|
| Sales                                      | 20,00,000       |
| Less: Variable Cost                        | 8,00,000        |
| Contribution                               | 12,00,000       |
| Less: Fixed Cost                           | 6,50,000        |
| EBIT                                       | 5,50,000        |
| Less: Interest                             | 2,00,000        |
| EBT                                        | 3,50,000        |
| Less: Tax (30%)                            | 1,05,000        |
| EAT                                        | 2,45,000        |
| Less: Preference Dividend                  | 50,000          |
| Earnings available to Equity Share holders | 1,95,000        |

Using above information, find out –

- Degree of Operating Leverage
- Degree of Financial Leverage
- Degree of Combined Leverage

**Q.5 Attempt any two from the following:**

[14]

- Write a note on : Discounting Methods of Capital Budgeting Decisions
- Moon Ltd. has undertaken a project, having useful life of 5 years.

Data of profit after tax and depreciation is as follows:

| Year | PAT (in Rs.) | Depreciation (in Rs.) |
|------|--------------|-----------------------|
| 1    | 3,20,000     | 5,00,000              |
| 2    | 2,80,000     | 4,00,000              |
| 3    | 2,40,000     | 3,00,000              |
| 4    | 2,00,000     | 2,00,000              |
| 5    | 1,60,000     | 1,00,000              |

If initial investment is Rs.20,00,000, calculate within how many years the initial investment will be recovered.

(P.T.O)

- c) Shine Ltd., is considering project, which will need Rs.10,00,000 as initial investment. The expected economic life of the project is 6 years. After considering tax, following cashflows after tax were estimated:

| Year | CFAT<br>(in Rs.) |
|------|------------------|
| 1    | 1,50,000         |
| 2    | 1,72,000         |
| 3    | 2,15,000         |
| 4    | 2,68,000         |
| 5    | 3,36,000         |
| 6    | 4,20,000         |

It is expected that at the end of economic life of project, a terminal cashflow of Rs.30,000 will be generated.

Calculate Net present value of the project taking 10% discount rate. Also, comment whether the project should be accepted or rejected?

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