6/81

2204N049

Candidate's Seat No :_____

M.B.A. (SCM) Sem.-2 Examination

FC-204

C & FM

April-2025

Time : 2-30 Hours] **[Max. Marks : 70**

Q-1	**A)** Dolly, a 27-year-old chaiwala-turned-entrepreneur, dreams of becoming a millionaire by 40. Inspired by Shark Tank, he decides to invest smartly, borrow cautiously, and plan aggressively. So, Dolly hires you—his financial expert—to help him with the Time Value of Money (TVM) concepts!	
	• Dolly invests ₹5 lakh today in a mutual fund that promises 10% annual return, compounded annually for the next 13 years. How much money will Dolly will have by the time he turns 40	**01**
	• Dolly plans to open his own café chain. He takes a ₹50 lakh business loan at an interest rate of 12% per annum (compounded monthly) for a 7-year tenure. Calculate Dolly's EMI.	**02**
	• Dolly's bank offers him a Fixed Deposit at 10% interest, compounded quarterly. But his savvy friend Prafull claims that's misleading and the real return is higher. What is the Effective Rate of Return on this FD?	**01**
	• Dolly is considering proposal of purchasing a machine either by making full payment of ₹ 4000 or by leasing it for four years at annual rate of ₹1250. Which course of action is preferable if Dolly can borrow money at 14% compounded annually?	**02**
	• Dolly wants to have corpus of ₹3,00,000 at the age of 37. How much amount is required to be invested every year if interest is compounded annually at 10%?	**02**
	• Suppose Bill gates decides to gift ₹10,000 to Dolly every year starting from today for the next five years. Dolly deposits this amount in a bank as and when he receives as gets 15% p.a. interest rate compounded annually. What is the present value of this deposits?	**02**
	B) Write a note on Objectives of Cost Accounting.	**04**

(P.T.O)

NOV9-2

Q-2	A) Kalyanam Ltd. has an operating profit of ₹34,50,000 and has employed Debt which gives total Interest Charge of ₹7,50,000. The firm has an existing Cost of Equity and Cost of Debt as 16% and 8% respectively. The firm has a new proposal before it, which requires funds of ₹75 Lakhs and is expected to bring an additional profit of ₹14,25,000. To finance the proposal, the firm is expecting to issue an additional debt at 8% and will not be issuing any new equity shares in the market. Assume no tax culture. You are required to CALCULATE the Weighted Average Cost of Capital (WACC) of Kalyanam Ltd.: • Before the new Proposal • After the new Proposal. **B)** Explain Traditional Approach of Capital Structure Theories. **OR** **A)** What is Financial Management? Write a detailed note on finance functions/ Decisions. **B) Explain Following :** Opportunity Cost Angel Investor Vs Venture Capitalist	**10** **04** **10** **04**
Q-3	A) Alpha Limited requires funds amounting to ₹80 lakh for its new project. To raise the funds, the company has following two alternatives: • To issue Equity Shares of ₹100 each (at par) amounting to ₹ 60 lakh and borrow the balance amount at the interest of 12% p.a., Or • To issue Equity Shares of ₹100 each (at par) and 12% Debentures in equal proportion. The Income-tax rate is 30%. IDENTIFY the point of indifference between the available two modes of financing and state which option will be beneficial in different situations	**10**

B) Write a note on factors affecting Cost of capital **04**

OR

A) Write a note on factors affecting Capital Structure **04**

B) **10**

DETERMINE the cost of capital of Best Luck Limited using the book value (BV) and market value (MV) weights from the following information:

Sources	Book Value (₹)	Market Value (₹)
Equity shares	1,20,00,000	2,00,00,000
Retained earnings	30,00,000	-
Preference shares	36,00,000	33,75,000
Debentures	9,00,000	10,40,000

Additional information:

Equity: Equity shares are quoted at ₹130 per share and a new issue priced at ₹125 per share will be fully subscribed; flotation costs will be ₹5 per share.

Dividend: During the previous 5 years, dividends have steadily increased from ₹10.60 to ₹ 14.19 per share. Dividend at the end of the current year is expected to be ₹15 per share.

Preference shares: 15% Preference shares with face value of ₹100 would realise ₹105 per share.

Debentures: The company proposes to issue 11-year 15% debentures but the yield on debentures of similar maturity and risk class is 16%; flotation cost is 2%.

Tax: Corporate tax rate is 35%. Ignore dividend tax. Floatation cost would be calculated on face value.

(P.T.O)

NOA9-4

Q-4	**A)** On 1st January, the Managing Director of Naureen Ltd. wishes to know the amount of working capital that will be required during the year. From the following information, PREPARE the working capital requirements forecast. Production during the previous year was 60,000 units. It is planned that this level of activity would be maintained during the present year. The expected ratios of the cost to selling prices are Raw materials 60%, Direct wages 10% and Overheads 20%. Raw materials are expected to remain in store for an average of 2 months before issue to production. Each unit is expected to be in process for one month, the raw materials being fed into the pipeline immediately and the labour and overhead costs accruing evenly during the month. Finished goods will stay in the warehouse awaiting dispatch to customers for approximately 3 months. Credit allowed by creditors is 2 months from the date of delivery of raw material. Credit allowed to debtors is 3 months from the date of dispatch. Selling price is ₹5 per unit. There is a regular production and sales cycle. Wages and overheads are paid on the 1st of each month for the previous month. The company normally keeps cash in hand to the extent of ₹20,000.	**08**
	B) What is Working Capital Management? Write a note on Significance of Working Capital.	**06**
	OR	
	A) X Limited is considering purchasing of new plant worth ₹80,00,000. The expected net cash flows after taxes and before depreciation are as follows:	**10**

Year	Net Cash Flows (Rs.)
1	14,00,000
2	14,00,000
3	14,00,000
4	14,00,000
5	14,00,000
6	16,00,000

7	20,00,000	
8	30,00,000	
9	20,00,000	
10	8,00,000	

The rate of cost of capital is 10%. You are required to CALCULATE:

(i) Pay-back period

(ii) Net present value

(iii) Profitability index

(iv) Internal rate of return

B) Write a note on Purpose of Capital Budgeting **04**

Q-5 **(Attempt any 2)**

A) **07**

The following data relates to the manufacture of a standard product during the month of April:

Particulars	(Rs.)
Raw materials	Rs.1,80,000
Direct wages	Rs. 90,000
Machine hours worked (hours)	10,000
Machine hour rate (per hour)	Rs. 8
Administration overheads (general)	Rs.35,000
Selling overheads (per unit)	Rs. 5
Units produced	4,000
Units sold	3,600
Selling price per unit	Rs.125

You are required to PREPARE a cost sheet in respect of the above showing:

- Cost per unit
- Profit for the month

(P.T.O)

B) **07**

ABC Transport Company has given a route 40 kilometers long to run bus.

- The bus costs the company a sum of Rs. 10,00,000
- It has been insured at 3% p.a. and
- The annual tax will amount to Rs.20,000
- Garage rent is Rs.20,000 per month.
- Annual repairs will be Rs. 2,04,000
- The bus is likely to last for 2.5 years
- The driver's salary will be Rs.30,000 per month and the conductor's salary will be
- Rs.25,000 per month in addition to 10% of takings as commission [To be shared by the driver and conductor equally].
- Cost of stationery will be Rs.1,000 per month.
- Manager-cum-accountant's salary is Rs.7,000 per month.
- Petrol and oil will be Rs.500 per 100 kilometers.
- The bus will make 3 up and down trips carrying on an average 40 passengers on each trip.
- The bus will run on an average 25 days in a month.

Assuming 15% profit on takings, CALCULATE the bus fare to be charged per passenger-kilometer.

C)

(i) **04**

You are given the following particulars

Fixed cost Rs. 1,50,000

Variable cost Rs. 15 per unit

Selling price is Rs. 30 per unit

CALCULATE:

- Break-even point
- Sales to earn a profit of Rs.20,000

(ii) Cost control Vs Cost Reduction. **03**