

4/101

1205E572

Candidate's Seat No: _____

IMBA (IIS)(NEP) Sem.4 Examination

FoFM

Time : 2-00 Hours]

May-2025

[Max. Marks : 50

- Q.1.(A) You want to take a world tour which costs Rs.10,00,000. The cost is expected to remain unchanged in nominal terms. You are willing to save annually Rs.80,000 to fulfill your desire. How long will you have to wait if your savings earn a return of 14 Percent per annum? [log 2.75=0.4393 & log 1.14=0.569] 07
- Q.1.(B) What is the present value of Rs. 15,00,000 receivable 8 years, hence if rate of discount is 15%? 03
- OR
- Q.1 How does a financial manager contribute to the long-term financial health and strategic decision-making of a company? 10
- Q.2. The board of directors of XYZ Textiles Ltd. requests you to prepare a statement showing the working capital requirements for a production level of 60,000 units for the year. The cost structure for the company's product is as follows:
- Cost per Unit (Rs.)
- Raw materials: 30
- Direct labor: 8
- Overheads: 22
- Total Cost: 60
- Profit: 15
- Selling Price: 75
- Additional Information:
- (a) Raw materials are held in stock for 3 months on average.
- (b) Work in progress (WIP) is valued at 100% materials and 50% each for labor and overheads for half a month's production.
- (c) Finished goods remain in stock for 1.5 months on average.
- (d) Suppliers allow 1.5 months of credit.
- (e) Customers are allowed 2.5 months of credit.
- (f) A minimum cash balance of Rs. 40,000 is expected to be maintained.
- Prepare a statement of working capital requirements. 10
- OR
- Q.2.(A) Discuss the techniques to assess working capital requirement. 05
- Q.2.(B) Differentiate between Gross working capital & Net working capital. 05
- Q.3. A ltd has a share capital of Rs. 100000 divided into share of Rs 10 each. It has a major expansion programme requiring investment of Rs. 50000. The management is considering the following alternatives.

(P.T.O)

- (i) Issue of 5,000 equity shares of Rs 10 each.
(ii) Issue of 5,000, 12% preference shares of Rs 10 each.
(iii) Issue of 10% debentures of Rs 50,000.

The company's present earnings before interest and tax (EBIT) are Rs 40,000 p.a. You are required to calculate the effect of each of the above modes on financing of the earnings per share (EPS) presuming:

- (a) EBIT continues to be the same even after expansion.
(b) EBIT increases by Rs 10,000.

OR

- Q.3.(A) Expected dividend per share is Rs.3.00. The dividend per share is expected to grow at the rate of 10 percent. The market price per share is Rs.260.00. Calculate the cost of equity.
- Q.3.(B) Calculate the explicit cost of debt with face value of Rs.100. Debentures are sold at par and flotation costs are 5%, coupon rate of interest on debentures is 10%, Maturity period is 10 years & tax rate is 35%.

Q.4. The following two alternatives are present before Harsha Ltd for investment in new Projects:

	Project A	Project B
Initial Outlay	Rs. 50,000	Rs. 50,000
Estimated Life	5 years	5 years
Cash flows:	Rs.	Rs.
Years 1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

The company expects 10% return.

Find out the profitability of both projects by following methods:

- (1) Net present value
(2) Pay back period
(3) Accounting rate of return.

OR

- Q.4. A company is evaluating a project requiring an initial investment of ₹12,00,000. The project has a life of 5 years, and will have zero salvage value at the end. The project is expected to generate the following Profit Before Depreciation and Tax (PBDT):

Year	PBDT (₹)
1	4,00,000
2	4,20,000
3	4,50,000
4	4,30,000

10

05

05

10

5 4,10,000

Other details:

- Depreciation is to be charged using the straight-line method over 5 years.
- Corporate Tax Rate = 30%.
- Discount Rate = 12%.

Calculate the following:

1. Payback Period
2. Net Present Value (NPV)
3. Internal Rate of Return (IRR)
4. Profitability Index (PI)
5. Average rate of return.(ARR)

- Q.5. Choose the correct options. (Any Five) 10
1. Compounding refers to: 10
 - A) Finding present value from future value
 - B) Earning interest on both principal and accumulated interest
 - C) Charging interest on the principal only
 - D) None of the above
 2. Capital structure refers to the mix of:
 - A) Long-term debt and equity used by a firm
 - B) Short-term and long-term assets
 - C) Assets and liabilities
 - D) Revenues and expenses
 3. Financial risk in a firm increases with:
 - A) More equity
 - B) More retained earnings
 - C) More debt
 - D) More assets
 4. Which of the following best describes permanent working capital?
 - A) Working capital needed for peak seasons
 - B) Minimum level of current assets needed at all times
 - C) Additional working capital for business expansion
 - D) Seasonal inventory buildup
 5. Which of the following is not a capital budgeting technique?
 - A) Payback Period
 - B) Net Present Value (NPV)
 - C) Accounting Rate of Return (ARR)
 - D) Current Ratio
 6. Which of the following is a disadvantage of the payback period method?
 - A) Ignores time value of money
 - B) Easy to calculate
 - C) Considers all cash flows
 - D) Useful for liquidity analysis
 7. The primary objective of financial management is to:
 - A) Maximize profits
 - B) Maximize shareholder wealth

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- C) Minimize costs
 - D) Increase market share
8. The cost of capital is the:
- A) Minimum rate of return required by investors
 - B) Rate of return on short-term debt
 - C) Rate of return on equity shares
 - D) Average rate of return of the company's projects
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