

**DC-140**

December-2017

**T.Y. MBA Integrated Degree Course****Financial Management – I****Time : 3 Hours]****[Max. Marks : 100**

1. (a) 'All functions of financial management are interrelated.' Discuss the statement. **10**  
 (b) A bank pays 12% interest and compounds interest quarterly. If one wants ₹ 10 lakhs after 7½ years, how much amount he should put initially into a savings account ? What would be your answer if compounding is done monthly ? **10**

**OR**

- (a) Compare profit maximization and wealth maximization as objectives of financial management. **10**  
 (b) You can make an immediate payment of ₹ 52,000 now or pay equal amount A for next 5 years, first payment being payable after 1 year. If the applicable rate is 12%, what is the maximum value of A that you would be willing to accept ? What maximum value of A you would be willing to accept if the payments are made in the beginning of the year ? **10**
2. (a) The management of A Ltd. has called for a statement showing working capital needed to finance a level of activity of 3,00,000 units of output for the year. The cost structure for the company's product for the above mentioned activity level is detailed below : **12**

Particulars	Cost per unit (₹)
Raw materials	20
Direct labour	5
Overheads (including depreciation ₹ 5)	20
Total cost	45
Profit	5
Selling price	50

Past trends indicate that

- Raw materials are held in stock, on an average, for two months.
- Working in progress (50% complete as to conversion cost) will approximate to ½ month production.
- Finished goods remain in warehouse, on an average, for one month.
- Suppliers of materials extend one month's credit.
- Two months credit is normally allowed to debtors.
- A minimum cash balance of ₹ 25,000 is expected to be maintained.
- The production pattern is assumed to be even during the year.
- Cash sales are 75% less than the credit sales.
- Safety margin to be maintained 20%.

Prepare a statement showing working capital requirement.

**OR**

2. (a) From the following data prepare Cash Budget for the period from 1<sup>st</sup> January to 30<sup>th</sup> June 2018 when the opening cash balance is expected to be ₹ 50,000. 12

₹

Month	Sales	Purchases	Wages	Factory Expenses	Admin. Expenses	Selling Expenses
November	200000	90000	18000	12000	7000	8000
December	180000	95000	20000	14000	8000	9000
January	210000	94000	19000	10000	7000	8000
February	170000	94000	15000	13000	5000	8500
March	175000	85000	22000	14500	6500	8600
April	220000	72000	18000	11000	7200	9300
May	212000	75000	21000	9500	7500	7800
June	250000	65000	20000	10000	7400	6500

**Additional information :**

- (1) Machinery to be purchased for ₹ 60,000 in January will be paid as 20% on delivery, and balance in three equal monthly installments with 12% interest p.a.
- (2) Period of credit allowed by suppliers is 1 month and the same credit period is allowed to customers.
- (3) Wages are paid after one week, while factory expenses, administrative expenses and selling expenses are paid one month after the month in which they are incurred.
- (4) A sales commission of 2.5 % on sales is paid two months after sales.

- (b) Discuss Bill Discounting and Factoring as sources of working capital finance. 8

3. (a) B Ltd. is considering to change its credit terms and provides you the following information :

Particulars	Present Policy	Proposed Policy
Credit terms	Net 30	2/10, net 30
Sales	₹ 14,40,000	Increase in sales by 1/3
Average collection period	30 days	Decline in period by 1/3
Bad debts	2%	Increase in % by 1/2

It is expected that 50% of the customers will take discount and pay on 10<sup>th</sup> day. The variable cost ratio is 70% and the opportunity cost of investment in receivables is 10%. The tax rate is 50%. Should the company change its credit terms. Assume 360 days in a year. 10

- (b) A company manufactures a product from a raw material, which is purchased at ₹ 60 per kg. The company incurs a handling cost of ₹ 360 plus freight of ₹ 390 per order. The incremental carrying cost of inventory of raw material is ₹ 0.50 per kg per month, in addition, the cost of working capital finance on the investment in inventory of raw material is ₹ 9 per kg p.a. The annual production of the product is 1,00,000 units and 2.5 units are obtained from 1 kg of raw material.

Required :

10

- (1) Calculate the EOQ for raw materials.
- (2) Advice how frequently should orders for procurement be placed.
- (3) If the company proposed to rationalize placement of order on quarterly basis, what percentage of discount in the price of raw materials should be negotiated ?

4. (a) You are required to determine the weighted average cost of capital of a firm using (i) book value weights (ii) market value weights. The following information is available for your perusal :

12

Present book value of the firm's capital structure is :

Particulars	₹
Debentures of ₹ 100 each	16,00,000
Preference shares of ₹ 100 each	4,00,000
Equity shares of ₹ 10 each	20,00,000

All these securities are traded in the capital markets. Recent prices are Debentures at ₹ 110, Preference shares at ₹ 120 and Equity shares at ₹ 22.

Anticipated external financial opportunities are as follows:

- (1) ₹ 100 per debenture redeemable at par : 20 years maturity, 8% coupon rate, 4% flotation cost, sale price ₹ 100
- (2) ₹ 100 preference share redeemable at par : 15 years maturity, 10% dividend rate, 5% flotation cost, sale price ₹ 100
- (3) Equity shares : ₹ 2 per share flotation cost, sale price ₹ 22.

In addition, the dividend expected on the equity shares at the end of the year is ₹ 2 per share; the anticipated growth rate in dividend is 5% and the firm has the practice of paying all its earnings in the form of dividend. The corporate tax rate is 50%.

OR

- (a) The following data relate to two companies belonging to the same risk class : 12

Particulars	T Ltd.	M Ltd.
Expected Net Operating Income	6,00,000	6,00,000
12.5 % Debt	24,00,000	-
Equity capitalization rate	16%	15%

Required :

- (1) Determine the total value and the weighted average cost of capital for each company assuming no taxes.
  - (2) Show the arbitrage process by which an investor who holds 10% equity shares in T Ltd. will be benefited by investing in M Ltd.
- (b) Explain Net Income approach and Net Operating Income approach of capital structure. 8

5. (a) N Ltd. is in the process of raising ₹ 5 lakhs as additional capital. For this purpose, two mutually exclusive alternative financing plans have been identified. The current level of EBIT is ₹ 1.50 lakhs which is likely to remain unchanged. Relevant information is as follows : 12

Present capital structure	60,000 equity shares of ₹ 10 each, and 10% bonds of ₹ 4 lakhs
Tax rate	50%
Financial plan-1	20,000 equity shares at ₹ 25 per share
Financial plan-2	12% debentures

Identify which plan is better. Also calculate indifference point.

- (b) Annual sales of a company is ₹ 60 lakhs. Sales to variable cost ratio is 150% and fixed cost other than interest is ₹ 5 lakhs p.a. The company has 11% debentures of ₹ 30 lakhs. You are required to calculate the operating, financing and combined leverages of the company. 8

**OR**

Explain Leverage analysis and ROI - ROE analysis of capital structure planning stating their significance. 8

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**December-2017**

**T.Y. MBA Integrated Degree Course**

**Marketing Management  
(Theory and Practice – I)**

**Time : 3 Hours]**

**[Max. Marks : 100**

1. Answer any **two** from the following : **20**

- (a) BCG matrix helps business organizations to take effective strategic decisions related to the portfolio of various SBUs. Explain with the help of various quadrants as shown in this matrix and the relevant strategy for each unit.
- (b) Define 'Competitive advantage'. How should firms try to reduce their overall costs to gain cost competitive advantage in the long run ?
- (c) A lot of laymen interchangeably use the words 'Selling' and 'Marketing' but marketers beg to show the differences. Explain these differences in detail.

2. (a) Explain the Service Quality Gaps for a service institution like a college offering 5 year integrated MBA course. **10**

**OR**

Explain in detail the service characteristics for a service given by a doctor.

- (b) What are the different marketing strategies for products in different life cycle stages ? Explain with suitable examples. **10**

3. Answer any **two** from the following : **20**

- (a) You require a laptop as a Management student for completing your assignments and project work. Explain what different stages of the decision process will be involved for purchase of the laptop.
- (b) Explain in detail the difference between 'Business markets and Consumer markets'.
- (c) Categorize various industrial products with suitable examples for each.

4. (a) Which factors are considered while setting the final prices for consumer products ? **10**  
(b) Which factors are considered for making the distribution channel choices by firms ? **10**

**OR**

- (b) (i) Levels of distribution **10**  
(ii) Pricing objectives

5. Read the information and answer the questions following it :

A well-established firm in Rajkot selling Namkeen Snacks under the brand name of 'TASTEE-MUNCHES' want to enter Ahmedabad in 2018. 'Namkeen' is used as a generic term in hindi to describe savory snack foods. It includes chivda, sev, chips, puri (mathri) and bhujia. The packs will be basically in the fixed sizes of 100 gms, 200 gms and 500 gms with aesthetic packaging designs.

- (a) What different promotion mix elements would you propose as a marketing manager of the firm ? [Answer in bullet points only]. **10**  
(b) Which different sales promotion tools would you recommend for 'TASTEE-MUNCHES' to be launched in Ahmedabad ? [Be specific to only those options which are applicable]. **10**

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**T.Y. MBA Integrated Degree Course**

**Human Resource Management**

**Time : 3 Hours]**

**[Max. Marks : 100**

1. (a) What do you mean by HRM environment ? Discuss the impact of internal environmental factors on HRM. **10**  
(b) “The operative functions of HRM are related to specific activities of personnel management.” Discuss the statement. **10**
2. Attempt any **two** :  
(a) Elaborate the external sources of recruitment in an organization. **10**  
(b) Discuss in brief selection procedure followed by all the companies. **10**  
(c) Write a brief essay on placement and induction. **10**
3. Attempt any **two** :  
(a) Why there is need for training in an organization ? **10**  
(b) How would you evaluate training programme in an organization ? Discuss in detail on the job method of training. **10**  
(c) What are the essential components of the management development programme ? Discuss. **10**
4. Attempt any **two** :  
(a) Discuss the important points covered under payment of bonus act 1965. **10**  
(b) What are the different types of benefits & services provided to employee in an organization ? **10**  
(c) What do you mean by wage survey ? Discuss in detail number of theories on wage. **10**
5. (a) Which are the five most important challenges faced by the HR manager in an organization ? **10**  
(b) Discuss about the ethical issues involved in human resource development. **10**

