

**M.B.A. (HR) SEMESTER - II (2012 COURSE)(CHOICE BASED
CREDIT SYSTEM) : SUMMER - 2018
SUBJECT : FINANCIAL MANAGEMENT**

Day : **Friday** Time : **02.00 PM TO 05.00 PM**
Date : **27/04/2018** **S-2018-1948** Max. Marks : 100

N.B.:

- 1) Attempt **ANY FOUR** questions from Section – I and **ANY TWO** questions from Section – II.
- 2) Answers to both the sections should be written in **SEPARATE** answer books.
- 3) Use of non-programmable **CALCULATOR** is allowed.
- 4) Figures to the right indicate **FULL** marks.

SECTION – I

- Q.1** Define Financial Management. Explain Nature and Scope of Financial Management. [15]
- Q.2** Explain the Factors determining requirement of Working Capital of a Manufacturing Company. [15]
- Q.3** Write a note on following Sources of Long Term Finance: [15]
a) Preference Shares
b) Debentures
- Q.4** Explain the following techniques of Financial Statement Analysis. [15]
a) Ratio Analysis
b) Funds Flow Statement
- Q.5** Write short notes on **ANY TWO** of the following: [15]
a) Venture Capital Financing
b) Internal Rate of Return
c) Weighted Average Cost of Capital

SECTION – II

- Q.6** Bharat Ltd., whose cost of capital is 10% is considering two mutually exclusive proposals, X and Y, the details of which are as follows: [20]

Particulars	Proposal X (₹)	Proposal Y (₹)
Initial Investments	15,00,000	15,00,000
Projected Cash Inflows		
1 st year	1,00,000	6,50,000
2 nd year	2,50,000	6,00,000
3 rd year	3,50,000	6,00,000
4 th year	5,50,000	5,75,000
5 th year	7,50,000	5,25,000

You are required to Calculate for proposal X and Y the following and give the decision in which proposal the company should invest.

- a) Pay Back Period
 - b) Net present value @ 10% rate of discount
 - c) Profitability Index
- The discounting factors at 10% are: .909, .826, .751, .683, .621.

P.T.O.

Q.7 Pritam Ltd., sells its products on a gross profit of 20% on sales. The following information is extracted from its annual accounts for the current year ended on 31st March, 2017. **[20]**

	₹
Sales at 3 months credit	40,00,000
Raw materials	12,00,000
Wages paid-average time lag 15 days	9,60,000
Manufacturing expenses paid-one month in arrears	12,00,000
Administrative expenses paid-one month in arrears	4,80,000
Sales promotion expenses payable half year in advance	2,00,000

The company enjoys one month's credit from the suppliers of raw materials and maintains a 2 months stock of raw materials and one and half month's stock of finished goods. The cash balance is maintained at ₹ 1,00,000 as a precautionary measure. Assuming a 10% margin, find out the working capital requirements of the company.

Q.8 Atharv Ltd., has the following capital structure: **[20]**

	₹
Equity Share Capital [20,000 shares]	4,00,000
6% Preference Shares	1,00,000
8% Debentures	<u>3,00,000</u>
	8,00,000

The market price of equity shares is ₹ 20. It is expected that the company will pay a current dividend of ₹ 2 per share which will grow @ 7%. Rate of tax is 30%. Calculate the weighted average cost of capital.

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