Sanjay Ghodawat University, Kolhapur 2018-19

Established as State Private University under Govt. of Maharashtra. Act No XL, 2017 EXM/P/09/01

Year and Program: BBA –II 2018-19 | **School of Commerce & Management** | **Department of Management**

Course Code: MBC203 | **Course Title: Financial Management** | **Semester – III**

Day and Date | **End Semester Examination (ESE)** | **Time: Max Marks: 100**

Monday 3/12/2018 | 10:00 to 1:00 pm

Instructions:
1) All questions are compulsory.
2) Assume suitable data wherever necessary.
3) Figures to the right indicate full marks.

		Marks	Bloom's Level	CO 203
Q.1	**Attempt the following**			
a)	Define Financial Management with its objectives.	07	L_2	203.1
	OR			
a)	Discuss, Major Decisions in Financial Management.	07	L_2	203.1
b)	Define Investment Decision and Explain the factors affecting the investment decision.	08	L_2	203.2
	OR			
b)	Elaborate short term and long term investment decisions.	08	L_2	203.2
Q.2	**Solve any Two**			
a)	Determine the requirement of working capital to finance the level of activity of 180000 units of output for a year.	07	L_3	203.3

	Cost per unit (Rs)
Raw material	20
Direct Labor	5
Overhead	15
Total cost	40
Profit	10
Selling price	50

Additional Information

1. Minimum cash balance desired Rs. 20000
2. Raw Material held in stock for 2 month
3. WIP will approximate to half month production
4. Finished goods remain in ware house for 1 month
5. credit period of suppliers 1 month and debtors 2month
6. Time lag in payment of wages 1 month and overhead paid after half month

OR

a) Explain the factors influencing the estimation of working capital requirement. 07 L_2 203.3

b) The project cost Rs. 50000 and life is 5 years with no salvage value. Tax rate 50%, company follows straight line method of depreciation. The earnings before depreciation and tax are as follows 08 L_3 203.4

Year	1	2	3	4	5
EBDT	10000	11000	14000	15000	25000

Calculate Payback Period.

OR

b) Discuss different techniques of Capital Budgeting 08 L_2 203.4

Q.3 **Solve any Two**

a) Explain the following: 08 L_2 203.1
1) Dividend Decision
2) Optimum working capital

b) Discuss the need of investment decision for organization 08 L_2 203.2

c) **Prepare working capital requirement from following information** 08 L_3 203.3
a) Budgeted Production 600000 units
b) stock holding- Raw material -2 month, WIP- 0.5 month,

finished goods- 1 month

c) Credit granted to customer 2 month, credit available from supplier 1 month.

d) Minimum cash balance Rs. 25000

e) Cost structure as under

	Cost per unit (Rs)
Raw material	10
Direct Labor	2.50
Overhead	7.50
Total cost	20
Profit	5
Selling price	25

08 L_3 203.4

d) No project is acceptable unless the yield is 10 % , cash flows are as follows

Year	0	1	2	3	4	5
Cash outflow	150000	30000				
Cash Inflow		20000	30000	60000	80000	30000
D.F. @10%		0.909	0.826	0.751	0.683	0.621

Salvage value at the end of 5th year is Rs. 40000, Calculate the NPV

Q.4 **Solve any Two**

a)

Debt in % of total capital employed	**Cost of Debt % (after tax)**	**Cost of Equity % (after tax)**
0	5	12
10	5	12
20	5	12.5
30	5.5	13

09 L_3 203.5

40	6	14
50	6.5	16
60	7	20

You are required to determine the optimum debt and equity mix. For the company by calculating weighted average cost of capital.

b) ABC company ltd. Issues 8% pref. shares of Rs. 500000 at Rs. 10 each. 3% brokerage paid on face value. Calculate cost of Pref. Share when they are issued — 09 — L_3 — 203.5

1) At par 2) at 10% premium 3) at 10% Discount

c) A company issues 6% debentures of Rs. 1500000, a company is in 40% tax bracket. Calculate cost of debt capital, if debenture are issued at — 09 — L_3 — 203.5

a) at par b) 10% Premium c) at 10% Discount

Q.5 **Solve any Two**

a) How optimum capital structure helps to maximizes market value per share and minimizing cost of capital? — 09 — L_2 — 203.6

b) Explain significance of capital Structure — 09 — L_2 — 203.6

c) XYZ company supplied the following information to you and requested to compute cost of capital based on book value and market value. — 09 — L_3 — 203.6

Sources of Finance	**Book Value**	**Market Value**	**After tax Cost (%)**
Equity	1000000	1500000	12
Long Term Debt	800000	750000	7
Short Term Debt	200000	200000	4
Total	2000000	2450000	

Q.6 **Solve any Three**

a) Explain the factors influencing the determination of Capital Structure. — 06 — L_2 — 203.5

b)	Elaborate weighted average cost of capital.	06	L_2	203.5
c)	Which are the different sources of financing for a business organization?	06	L_2	203.6
d)	Define cost of capital and elaborate cost of debt.	06	L_2	203.6

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