Sanjay Ghodawat University, Kolhapur

2019-20

Established as State Private University under Govt. of Maharashtra. Act No XL, 2017

Year and Program 2019 BBA-II | **School of Commerce and Management** | **Department:- Management**

Course Code: MBC 203 | **Course Title: Financial Management** | **Semester –III**

Day and Date Thursday 21/11/19 | **End Semester Examination** | **Time: 3 hrs, Max Marks: 100** 10.30am to 1.30 pm

Instructions: 1) All Questions are compulsory.
2) Using simple calculator is allowed.

			Marks	Level	COs
Q.1					
	a)	True & False (Any five)	10	L1	
		1. Profit maximization is not an objective of financial management			CO1
		2. Risk and return factor influencing on investment decision.			CO2 CO3
		3. Net Working capital = Current assets			CO3
		4. Prepaid expenses are recorded under current asset.			CO2
		5. Preference share capital is Debt source of finance.			CO1
		6. Wealth of company can be measured by market value of share price of company × No. of equity shares.			
	b)	Answer the short questions (Any five)	10	L1	
		1. What are the motives of holding cash? (any two)			CO 4
		2. What are the techniques of capital budgeting (any three)			CO 5 CO 6
		3. Define cost of capital			CO 5
		4. Define capital budgeting			CO 6
		5. What are the sources of capital (any three)			CO 4
		6. Define cash planning			
Q.2		Answer the following			
	a)	Define major Decisions in Financial Management.	10	L2	CO 1
		OR			
	a)	Describe how objective of wealth maximization is superior to profit maximization.	10	L2	CO1
	b)	Describe different techniques of capital budgeting.	10	L2	CO2
		OR			
	b)	Describe Investment Decision and Explain the factors affecting the investment decision.	10	L2	CO2
Q.3		Answer the following			
	a)	Determine the requirement of working capital to finance the level of activity of 90000 units of output for a year.	10	L3	CO3

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Particulars	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

Time lag in payment of wages 1 month and overhead paid after half month

OR

a) Examine how efficient operating cycle leads to profitability of the business. 10 L3 CO3

b) XYZ Ltd. has requested you to prepare cash budget for the period January to Mar. 10 L3 CO4

The estimated sales for January to March are 150000 per month. And from April to June Rs 200000 per month. The sales for November & December of the previous year have been Rs 120000 each.

Cash and credit sales are expected to be 50% and 50% respectively. The receivable from credit sales are expected to be 40% receivable on an average 1 month from the date of sale and 60% on an average 2 month from date of sale.

The anticipated receipts are

Rs. 70000 from the sale of Machinery in March.

Company plans to purchase material worth Rs 60000 p.m. in Jan to mar.

The payment of purchase is made one month after purchase.

The purchase for the December of previous year is Rs 60000.

Miscellaneous cash purchases are expected to be Rs 3000 per month.

Wages payments are expected to be Rs 25000 per month.

Admin and Selling exp. expected to be Rs 15000 per month.

Manufacturing exp.32000 per month.

ESE

OR

b) Examine the application of cash budget in efficient cash planning. 10 L3 CO4

Q.4 Answer any Two

a) The project cost Rs. 100000 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 10 L3 CO5

Year	1	2	3	4	5
EBDT	20000	22000	28000	30000	50000
D.F.@10%	0.909	0.826	0.751	0.683	0.621

Calculate 1. Payback Period
2. Net present value (if cost of capital is 10%)

b) C Ltd. is considering investment in project. The original investment will be Rs. 2000000, the life of project will be 5 years with no salvage value. The expected net cash inflow after tax before depreciation as follows. 10 L3 CO5

Year	1	2	3	4	5
EATBD	99500	110000	96000	96000	68000
D.F.@38%	0.725	0.525	0.381	0.276	0.200
D.F.@40%	0.714	0.510	0.364	0.260	0.186

Calculate internal rate of return.

c) Examine the importance of capital budgeting in financial management decisions. 10 L3 CO5

Q.5 Answer any Two

a) A company issues 6% debentures of Rs. 1000000, a company is in 50% tax bracket. Calculate cost of debt capital, if debentures are issued at 10 L3 CO6

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

b) XYZ company supplied the following information to you and requested to compute cost of capital based on book value and market value. 10 L3 CO6

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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	

c) Analyze different sources of finance to meet capital requirement of business. 10 L4 CO6

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