Sanjay Ghodawat University, Kolhapur

2020-21

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

EXM/P/09/00

Year and Program: 2020 BBA-II	**School of Commerce and Management**	**Department: Management**
Course Code: MBC 203	**Course Title: Financial Management**	**Semester : III**
Day and Date: Thursday 3/12/2020	**End Semester Examination**	**Time : 11.00am-1.00pm Max Marks : 50**

Instructions: 1) All Questions are compulsory.

Q.1 **Answer the following (Any Two)**– **Marks** **Bloom's Level** **CO**

a) Determine the requirement of working capital to finance the level of activity of 180000 units of output for a year. 9 L3 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

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

b) "Write ultimate goal of financial management is to maximize wealth". Comment and justify the statement. 9 L2 203.1

c) From the following information prepare cash budget for 3 months ended Dec. 2019 9 L3 203.4

Month	Purchase	Sales	Wages	Other exp.	Admin exp.
Aug.	15000	30000	5000	2000	5000
Sep.	17000	50000	6000	1500	6000

Oct.	14000	40000	4000	2000	9000
Nov.	12000	30000	6000	1000	7000
Dec.	10000	50000	6000	2500	8000

1.The division of sale is Cash sale -40% and Credit sale- 60%,

2. The collection of credit sale is 50% one month after sale and 50% two month after sale.

3. Payment of Purchase made after one month of purchase. Wages, other exp. and admin exp. are on cash.

4. Interest will be received in December Rs 10000.

Q.2 **Answer the following (Any Two)** –

a) No project is acceptable unless the yield is 10 % , cash flows are as follows — 8 L3 203.5

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

b) Describe the features of capital budgeting and explain the utilities of Net Present Value method with illustrative examples. — 8 L4 203.2

c) Elaborate the importance of optimum level of working capital — 8 L1 203.3

Q.3 **Answer the following (any two)** –

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a)	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 a) at par b) 10% Premium c) at 10% Discount	8	L3	203.6
b)	Which are the different sources of financing for a business organization? What factors to be considered before raising capital.	8	L4	203.2
c)	XYZ company supplied the following information to you and requested to compute cost of capital based on book value and market value.	8	L3	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	

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