	Sanjay Ghodawat University, Kolhapur Established under section 2(f) of UGC Act 1956 Sanjay Ghodawat University Act XL of 2017 of Govt. of Maharashtra	2020-21 EXM/P/09/01

Year and Program: 2021, SY BBA	**School of Commerce and Management**	**Department of Commerce**
Course Code: MBC 203	**Course Name: Financial Management**	**Semester –III**
Day and Date:	**End Semester Exam**	**Time: 2hrs** **Max Marks: 50**

Instructions: 1. Assume suitable data wherever necessary
2. Figures to the right indicate full marks.

		Marks	CO's (Blooms level)
Q.1	**Attempt any two**		
a)	Discuss Wealth and Profit maximization is the objective of finance manager?	08	CO1(L2)
b)	The role of finance manager is changing rapidly, contrast with traditional view?	08	CO1(L3)
c)	Explain how different factors affect on short term and long term investment decision?	08	CO2(L4)
Q.2	**Attempt any two**		
a)	Define Working Capital and Explain factors affecting on working capital?	08	CO3(L4)
b)	The board of directors of Aravind mills limited request you to prepare a statement showing the working capital requirements for a level of activity of 30,000 units of output for the year. The cost structure for the company's product for the above mentioned activity level is given below.	08	CO3(L3)

	Cost P.U. Rs.
Raw Material	20
Direct Labour	5
Overheads	15
Total	**40**
Profit	10
Selling Price	50

(a) Past experience indicates that raw materials are held in stock, on an average for 2 months.
(b) Work in progress (100% complete in regard to materials and 50% for labour and overheads) will be half a month's production.
(c) Finished goods are in stock on an average for 1 month.
(d) Credit allowed to suppliers: 1 month.
(e) Credit allowed to debtors: 2 months.
(f) A minimum cash balance of Rs 25,000 is expected to be maintained.

Prepare a statement of working capital requirements.

c) The annual cash requirement of A Ltd. is Rs 10 lakhs. The company has marketable securities in lot sizes of Rs 50,000, Rs 1, 00,000, Rs 2, 00,000, Rs 2, 50,000 and Rs 5, 00,000. Cost of conversion of marketable securities per lot is Rs 1,000. The company can earn 5% annual yield on its securities. You are required to prepare a table indicating which lot size will have to be sold by the company. Also show that the economic lot size can be obtained by the Baumol Model. 08 CO4(L3)

Q.3 Attempt any two

a) A company is considering purchasing a machine. Two machine A & B costing Rs. 5,00,000/- each. A discounting rate of 2% is to be used and the life of machine is 5 years by SLM method of depreciation. Cash flows are as follows. (Rs. In Lacks) 09 CO5(L2)

Year	Machine A	Machine B
1	1.5	0.5
2	2.0	1.5
3	2.5	2.0
4	1.5	3.0
5	1.0	2.0

Calculate 1) PBP 2) ARR

b) Calculate NPV and PI by using data from Q 3. b) above. 09 CO5(L3)

c) CO6(L5)

Source of Funds	***Amount Rs.***	***Proportion %***	***After-tax cost%***
Debt	15,00,000	25	5
Preference Shares	12,00,000	20	10
Equity Shares	18,00,000	30	12
Retained Earnings	15,00,000	25	11
Total	60,00,000	100	

09

You are required to compute the weighted average cost of capital.