

B.E. REGULAR EXAMINATIONS, APRIL/MAY 2014
BRANCH: PRINTING TECHNOLOGY
SIXTH SEMESTER
MG9361 – FINANCIAL MANAGEMENT
(REGULATIONS 2008)

Time: 3 hrs

Max. Marks: 100

PART - A (10 x 2 = 20 marks)

Answer **ALL** questions:

1. What is a Balance Sheet?
2. Current Ratio is 2.5 and Working Capital is Rs. 63000. Calculate Current Assets and Current Liabilities.
3. Define Limiting factor.
4. What do you understand by Cost-Volume analysis?
5. Define Payback period.
6. Distinguish between Equity Shares and Preference shares.
7. What is Cost of Capital?
8. What do you understand by Optimum Capital Structure?
9. What are the two types of Working Capital?
10. What do you understand by Point of Indifference?

PART - B (5 x 16 = 80 marks)

Answer **ALL** questions:

11. Prepare a Cash Budget from the following information:

Particulars	I Quarter Rs.	II Quarter Rs.	III Quarter Rs.	IV Quarter Rs.
Opening balance	10,000	-	-	-
Receipt from debtors	1,25,000	1,50,000	1,60,000	2,21,000
Salaries and Wages	90,000	95,000	95,000	1,09,200
Other expenses	30,000	20,000	20,000	17,000
Materials	20,000	35,000	35,000	74,200

The company desires to maintain a cash balance of Rs. 15,000 at the end of each quarter. Cash can be borrowed or repaid in multiples of Rs. 500 at an interest rate of 10% per annum. Management does not want to borrow cash more than what is necessary and wants to repay as early as possible. In any event loans cannot be extended beyond 4 quarters. Interest is calculated and paid when the principal is repaid. Assume that borrowings take place at the beginning and repayments are made at the end of the quarters.

12. (a) A new project requires an investment of Rs. 600 lakhs. Two alternatives methods of financing are under consideration.

(i) Issue of equity shares of Rs10 each for Rs. 600 lakhs.

(ii) Issue of equity shares of Rs. 10 each for 400 lakhs and issue of 15% debentures for Rs. 200 lakhs.

Find out the indifference level of PBIT assuming a tax rate of 40% and verify your answer.

(OR)

(b) Explain the various determinants of Capital Structure..

13. (a) "Marginal costing is a valuable aid for Managerial Decisions". Discuss.

(OR)

(b) The P/V ratio of a firm dealing in precision instruments is 50% and Margin of Safety is 40%. You are required to compute break even point and the net profit if the sales volume is Rs.50,00,000. If 25% of variable cost is labour cost, what will be the effect on Break even point and profit when labour efficiency decreases by 5%.

14(a) (i) Discuss the need and importance of Capital Budgeting. (8)

(ii) Explain the various types of Capital Expenditure proposals. (8)

(OR)

(b) A company proposing to expand its production can go in either for an automatic machine costing Rs. 2,24,000 with an estimated life of 5 ½ years or an ordinary machine costing Rs. 60,000 having an estimated life of 8 years. The annual sales and costs are estimated as follows:

Particulars	Automatic Machine Rs.	Ordinary Machine Rs.
Sales	1,50,000	1,50,000
Costs: Material	50,000	50,000
Labour	12,000	60,000
Variable overheads	24,000	20,000

Compute the comparative profitability of the proposals using Pay-back Period and give your recommendations to the management.

15 (a) Explain the various sources of Working Capital finance.

(OR)

(b) (i) From the following estimates, calculate the amount of working capital required:

	Per Annum	
	Rs.	
Average amount locked in raw materials	8,000	
Average amount locked in finished goods	10,000	
Time allowed for debtors:		
Local sales 2 weeks	1,04,000	
Outside the state sales 6 weeks	3,12,000	
Time available for creditors:		
For purchases 4 weeks	78,000	
For wages 2 weeks	2,60,000	
Add 10% for contingencies.		8

(ii) The earnings per share of Bright Ltd. is Rs.8 and the rate of capitalization is 10%. The productivity of retained earnings is 15%. Using Walter's dividend model, calculate the market price per share, if the payout is 0%, 25%, 75% and 100%. What inference can be drawn from the above? 8
