| Roll.No. | | | | | | | | | |
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**B.E./B.Tech. (Full Time) DEGREE END SEMESTER (Arrear) EXAMINATIONS, NOV/DEC 2012**

**BRANCH: PRINTING**

**SIXTH SEMESTER**

**MG 9361 – FINANCIAL MANAGEMENT**

**(REGULATIONS 2008)**

Time: 3 hrs                                                                                    Max. Marks: 100

**PART - A (10 x 2 = 20 marks)**

Answer **ALL** questions

1. Briefly explain any two aims of Finance Function.
2. What is Ratio Analysis?
3. Define Budgetary Control.
4. What do you understand by Limiting Factor?
5. What is MIRR?
6. Distinguish between Equity and Preference shares.
7. What do you understand by Optimum Capital Structure?
8. Elucidate the concept of Point of Indifference.
9. What is meant by Playing the Float?
10. What is Lock-box System?

**PART - B (5 X 16 = 80 marks)**

Answer **ALL** questions

11. From the following calculate (a) Sales (b) Sundry Debtors (c) Sundry Creditors (d) Closing Stock

| | |
|---|---|
| Debtors Velocity | 3 months |
| Stock Velocity | 8 months |
| Creditors Velocity | 2 months |
| Gross Profit Ratio | 25% or Rs. 4,00,000 |
| Closing Stock | Rs. 10,000 above Opening Stock |
| Bills Receivable | Rs. 25,000 |
| Bills Payable | Rs. 10,000 |

12 (a) Explain the practical applications of marginal costing with suitable examples.

(OR)

(b) ABC Ltd. has given the following particulars. You are required to prepare a Cash Budget for the three months ending 31st December 2011:

| Months | Sales Rs. | Materials Rs. | Wages Rs. | Overheads Rs. |
|---|---|---|---|---|
| August | 20,000 | 10,200 | 3,800 | 1,900 |
| September | 21,000 | 10,000 | 3,800 | 2,100 |
| October | 23,000 | 9,800 | 4,000 | 2,300 |
| November | 25,000 | 10,000 | 4,200 | 2,400 |
| December | 30,000 | 10,800 | 4,500 | 2,500 |

i. Credit terms are:

Sales / Debtors: 10% sales are on cash basis, 50% of the credit sales are collected next month and the balance in the following month.

Creditors: Materials 2 months
Wages 1/5 month
Overheads 1/2 month

ii. Cash balance on 1st October 2011 is expected to be Rs. 8,000.

iii. A machinery will be installed in August 2011 at a cost of Rs. 1,00,000. The monthly installment of Rs. 5,000 is payable from October onwards.

iv. Dividend at 10% on preference share capital of Rs. 3,00,000 will be paid on 1st December 2011.

v. Advance to be received for sale of vehicle Rs. 20,000 in December.

vi. Income-tax (advance) to be paid in December Rs. 5,000.

13 (a) Define Capital Budgeting. Explain the various methods of evaluating Capital expenditure Proposals.

(OR)

(b) Sun Glass Ltd. is contemplating to replace one of its bottling machinery with a new and more efficient machine. The old machine cost Rs. 5,00,000 and has a useful life of 10 years and zero salvage value at the end of $10^{th}$ year. The machine was bought 5 years ago. If it is sold now, the company would get Rs. 3,00,000.

The new machine cost Rs. 10,00,000 and has a salvage value of Rs. 1,00,000 at the end of the $5^{th}$ year.

The new machine will have a greater capacity and annual sales are expected to increase from Rs. 10,00,000 to Rs. 12,00,000. Operating efficiency of new machine will also produce savings of Rs. 2,00,000 a year. Straight line method of depreciation is followed. The cost of capital is 8% and 30% tax rate is applicable.

Should the company replace the old machine?

**NOTE:** P.V. Annuity Re.1 at 8% for 5 years is 3.993
P.V. of Re.1 at 8% for 5 years is 0.681

14 (a) Elucidate the various sources of long term finance with their merits and demerits.

(OR)

(b) A company needs Rs. 6,00,000 for construction of a new plant. The following three financial plans are feasible:

i. The company may issue 60,000 equity shares of Rs. 10 each.
ii. The company may issue 30,000 equity shares of Rs. 10 each and 3,000 debentures of Rs. 100 each bearing 8% coupon rate of interest.
iii The company may issue 30,000 equity shares of Rs. 10 each and 3,000 preference shares of Rs. 100 each bearing 8% rate of dividend.

The profit before interest and taxes (PBIT) is expected to be Rs. 1,50,000. Corporate tax rate is 50%.

Calculate EPS for each of the three plans. Which plan would you recommend and why?

15 (a) Explain the various sources of financing Working Capital in any organization of your choice?

(OR)

(b) Explain the various forms of dividends and the important factors which influence the dividend policy of a firm.