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21

B.E. REGULAR EXAMINATIONS, APRIL/MAY 2013
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 Fund Flow Statement?
2. Current Ratio is 1.75 and Working Capital is Rs.33000. Calculate Current Assets and Current Liabilities.
3. Define MOS.
4. Distinguish between Fixed Cost and Variable Cost.
5. Define IRR.
6. What are Preference shares?
7. What is WACC?
8. Explain Capital Structure.
9. Define Working Capital.
10. What do you understand by Point of Indifference?

PART - B (5 x 16 = 80 marks)

Answer **ALL** questions:

11. PQR Ltd. requests you to prepare a Cash Budget for the period April to June 2012, indicating the extent of overdraft facilities the company will require at the end of each month:

Month	Credit Sales (Rs)	Credit Purchases (Rs)	Wages (Rs)
February (2012)	1,80,000	1,24,000	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

50% of the credit sales are realized in the month following the sales and the remaining 50% in the second month following. Creditors and Wages are paid in the month following the month of instance.

Estimated cash at bank on 1-04-2012 is Rs.25,000.

12. (a) 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.

PBIT is expected to be Rs.1,50,000. Corporate tax is 50%.

Which of the three plans would you recommend and why?

(OR)

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

13. (a) Explain the practical applications of Marginal Costing with examples.

(OR)

(b) (i) Tronics Ltd. is considering the purchase of a machine. The vendor has offered two Models – A and B. The following is the relevant information:

Particulars	A Rs.	B Rs.
Fixed cost per annum	40,000	1,00,000
Variable cost of operating the machine per unit	8	5

Ascertain the Cost BEP for the machines and explain the production range in which each of the machines is better. 8

(ii)From the following information, calculate

(a)BEP 2

(b)Number of units that must be sold to earn a profit of Rs.60,000 per year. 2

(c)Number of units that must be sold to earn a net income of 10% on sales 4

Selling Price - Rs.20 per unit

Variable Cost - Rs.14 per unit

Fixed Cost - Rs.79,200

14(a) Explain Capital Budgeting and explain the various methods of evaluating Capital Expenditure Proposals with examples.

(OR)

(b) A company is considering the purchase of a new machine. Two alternative machines (A and B) have been suggested, each having an initial cost of Rs.4,00,000 and requiring Rs.20,000 as additional working capital at the end of 1st year. Earnings after taxation are expected to be as follows:

Year	Cash Inflows	
	Machine A (Rs.)	Machine B (Rs.)
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,40,000	1,20,000
5	1,60,000	80,000

The company has a target return on capital of 10%, and on this basis, you are required to compare the profitability of the machines and state which alternative you consider financially preferable.

15 (a) Explain the various factors which determine the Working Capital needs of an Organization.

(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
