

M.B.A.(with Credits)-Regular-Semester 2012 Sem II
Paper-MBA126-C26 : Financial Management

P. Pages : 2

Time : Three Hours



GUG/W/16/5191

Max. Marks : 70

- Notes :
1. Attempt **any five** questions.
 2. All questions carry equal marks.
 3. Use present value factor table.

1. From the following capital structure of ABC Ltd. company, you are required to calculate overall cost of capital using Book value and Market Value Method. **14**

Source	Book Value	Market Value	After Tax Cost
Equity Share Capital (₹ 10/share)	45,000	90,000	14%
Retained Earning.	15,000	-	13%
Pref. Share Capital	10,000	10,000	10%
Debenture	30,000	30,000	5%

2. The share capital of a company is ₹ 10,00,000 with shares of face value of ₹ 10. The company has debt capital of ₹ 6,00,000 at 10% rate of interest. The sales of the firm are 3,00,000 units per annum at a selling price of ₹ 5 per unit and the variable cost is ₹ 3 per unit. The fixed cost amount to ₹ 2,00,000. The company pay tax at 35%. If the sales increase by 10%
 Calculate - **14**
- i) Percentage increase in EPS.
 - ii) Degree of operating, Financial and combined Leverage.

3. A company is considering the proposal of taking up a new project which requires an investment of ₹ 400 lakhs on machinery and other assets. The project is expected to yield the following earnings before depreciation and taxes over next 5 years. **14**

Year	1	2	3	4	5
Earnings (₹ in lakhs)	160	160	180	180	150

The cost of capital is 12% and assets have to be depreciated at 20% on WDV. The scrap value at end of 5 years may be taken as zero. Tax rate applicable to the company is 50%. You are required to calculate the NPV of project and IRR of the project and advise the management to take appropriate decision.

4. A newly formed company has applied to the commercial bank for the first time for financing its working capital requirements. **14**

Element of cost	₹ Per unit
Raw Material	40
Direct Labour	15
Overhead	30
Total cost	85
Profit	15
Sales	100

Other information:

- i) Raw material in stock Average 4 week.

- ii) WIP (50% completion stage) an average 15 days.
- iii) Finished good in stock for 1 month.
- iv) Credit allowed by supplier is 4 weeks and to debtor is 8 weeks.
- v) Average time lag in payment of wages is 3/2 week and 4 weeks in overheads.
- vi) Cash in hand is ₹ 50,000 and 96,000 units of production.

Assume 4 weeks may be taken as a month and 52 week in a year.

Prepare statement showing estimate of working capital needed.

Also calculate the MPBF by all three methods for working capital as per Tandon Committee norms.

Assume core current assets constitute 25% of the current assets.

5. ABC Ltd. was started a year back with paid – up equity capital of ₹ 40,00,000. The other details are as under. 14

Earning of the company	₹ 4,00,000
Dividend paid	₹ 3,20,000
P/E Ratio	12.5
No. of Shares	40,000

You are required to find out whether the company's dividend pay out ratio is optimal. Using Walter's formula.

6. Discuss the functions of a Chief Financial officer. 14
7. Explain the relevance of Time value of money in investment decision. 14
8. Explain briefly the concept of working capital and mention the important objectives of working capital Management. 14
9. 'Takeover strategy for expansion will be craze in corporate world?' Elucidate. 14
10. Write a short note on **any two**. 14
- a) Buyback & Joint Ventures.
 - b) Modigliani - Miller Model.
 - c) Commercial Paper.
 - d) Public deposits.
