

July-August 2016

**Master of Business Administration (MBA) Examination
II Semester**

Fundamentals of Financial Management

Time : 3 Hours]

[Max. Marks : 80

Note : Attempt any two questions from Section A. Each question in this section carries 16 marks. Attempt any three questions from Section B. Each question in this section carries 16 marks.

Section A

- What do you mean by Financial Management ? Explain functions and objectives Financial Management.
- Explain the concept of Working Capital. Also explain with examples, any six factors on which the working capital requirement of an industrial organization depends.
- Write short notes on any two of the following :
(a) Capital Structure (b) Utility of Zero Based Budgeting
(c) Short Term Sources of Funds (d) Determinants of Cost of Capital

Section B

- Following is the Balance Sheet of a company:

**Balance Sheet
As on 31st March, 2013**

Particulars	Amount Rs.	Particulars	Amount Rs.
8,000 Equity Shares	8,00,000	Fixed Assets	9,60,000
10% Debentures	3,20,000	Current Assets	3,20,000
Profit & Loss A/c	1,28,000		
Creditors	32,000		
Total	12,80,000	Total	12,80,000

The company's total assets turnover ratio is 3 times and fixed cost is Rs. 7,20,000. Profit volume ratio is 50%. Tax rate is 30%. Calculate Operating, Financial and Combined Leverage. If EPS is Rs. 21, find out EBIT.

- It is a proposal to start a business requiring capital of Rs. 10,00,000 and an assured return of 15% on investment. Calculate the EPS and suggest the best alternative if:

- The entire capital is raised by means of Rs. 100 equity shares; and
 - If 50% is raised from equity shares and remaining 50% from 10% debentures. Tax rate is 50%.
6. From the following Balance Sheets of ABC Ltd. you are required to prepare a Cash Flow Statement as per Accounting Standard-3 (Revised) :

Liabilities	2011 Rs.	2012 Rs.	Assets	2011 Rs.	2012 Rs.
Share Capital	2,00,000	2,50,000	Goodwill	40,000	30,000
Reserves & Surplus	1,10,000	1,25,000	Machinery	1,50,000	2,00,000
Prov. for Sales Tax	35,000	45,000	Inventory	1,80,000	2,15,000
Creditors	1,39,000	1,38,000	Debtors	60,000	50,000
Outstanding Wages	6,000	-	Prepaid Expenses	10,000	10,000
			Bank Balance	20,000	25,000
			Preliminary Exp.	30,000	28,000
Total	4,90,000	5,58,000	Total	4,90,000	5,58,000

Additional Information :

- Machinery whose original cost was Rs. 50,000 was sold for Rs. 10,000 during the year. Accumulated depreciation on this machinery was Rs. 26,000
 - Depreciation on machinery charged during the year Rs. 20,000
 - Dividend paid during the year @ 10% on Share Capital.
7. The following are the data of Z Ltd. taken from the accounting records:
- | Particulars | Rs. |
|--|----------|
| Average Stokes of Raw Materials during the Year | 1,80,000 |
| Average Stocks of Work-in-Progress during the Year | 1,00,000 |
| Average Stocks of Finished Goods during the Year | 54,000 |
| Average Balance of Debtors during the Years | 1,50,000 |
| Average Balance of Creditors during the Years | 1,20,000 |
| Average Daily sales | 2,000 |
| Average Daily Cost of Finished Goods Sold | 1,800 |
| Average Daily Consumption of Raw Materials | 1,200 |
| Average Period of credit available from the suppliers is 100 days. | |
- Based on the above data, state:
- Average Period of Raw Material Holding in Stores;
 - Credit period available to the customers;
 - Average period for which Finished Good stay in Godowns;

(d) Average period for Conversion Raw Materials into Finished Goods;

(e) Working Capital Cycle (in days) and Working Capital Requirement.

8. XYZ Ltd. has obtained capital from the following sources the specific costs are also noted down against them:

Sources of Capital	Book Value Rs.	Market Value Rs.	Cost of Capital
Debentures	400000	380000	5%
Preference Shares	100000	110000	8%
Equity Shares	600000	1200000	13%
Retained Earnings	200000	-	9%

You are required to calculate Weighted Average Cost of Capital using :

(a) Book Value Weights.

(b) Market Value Weights.

□□□