

**Time: 2 Hrs**

**MARKS: 60 Marks**

**Q.1 write short note (Any five)**

(15)

1. Scope of financial management
2. Limitation of ratio analysis
3. Factors affecting working capital
4. Challenges in capital budgeting decisions
5. Leverage and its importance
6. Weighted average cost of capital
7. Cash flow from financial activity

Q2 From the following balance sheet of Subhash LTD. Calculate:

(15)

1. Liquid ratio
2. Proprietary ratio
3. Stock turnover ratio
4. Capital gearing ratio
5. Debtors turnover ratio

**Balance sheet as on 31<sup>st</sup> March, 2017**

<b>Liabilities</b>	<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
Equity share capital	2,00,000	Fixed assets	12,00,000
Preference share capital	5,00,000	Stock	5,40,000
Reserves	10,00,000	Sundry debtors	8,00,000
Secured loan	4,00,000	Advance Income tax	1,20,000
Current liabilities	5,40,000	Advance income tax	1,20,000
Provisions	8,10,000	Cash at bank	7,90,000
<b>Total</b>	<b>34,50,000</b>	<b>Total</b>	<b>34,50,000</b>

Total sales during the year was Rs. 77,76,000 (including cash sales Rs. 5,76,000) which yielded a gross profit of 25% on sales. The stock on 31<sup>st</sup> march, 2016 was Rs. 4,32,000 Assume for your working 360 days for the year.

**OR**

Q2. The case flow streams for two alternative investments Tata and Bata are:

(15)

<b>Year</b>	<b>Tata (Rs.)</b>	<b>Bata (Rs.)</b>
0	(2,00,000)	(2,10,000)
1	50,000	80,000
2	80,000	60,000
3	1,00,000	80,000
4	80,000	60,000
5	60,000	80,000

Calculate the (i) Payback period, (ii) Net present value using 11% discount rate and (iii) Benefit cost ratio [PI] using 11% discount rate, for the two alternatives. Which would you choose? Why?

Q3.A. Calculate the DTL of M/s Pooja Enterprises Ltd given the following information. (7)

Quantity sold 10,000 units

Variable cost per unit Rs. 100 per unit

Selling price per unit Rs. 500 per unit

Fixed expenses Rs. 10,00,000

Number of equity shares 1,00,000

Debt Rs. 10,00,000 @ 20% interest

Preference shares 10,000 shares of Rs. 100 each @ 10% dividend

Tax rate 50%

Q3. B. Ventura Home Appliances Ltd. has the following capital structure: (8)

(Rs. in lakh)

Equity Capital (10 lakh shares at par value)	100
12 percent preference capital (10,000 shares at par value)	10
Retained earnings	120
14% Non-convertible Debentures (70,000 debentures at par value)	70
14% term loan from HDFC	100
<b>Total</b>	<b>400</b>

The market price per equity share is Rs.25. The next expected dividend per share (DPS) is Rs.2.00 and the DPS is expected to grow at a constant rate of 8 percent. The preference shares are redeemable after 7 years at par and are currently quoted at Rs.75 per share on the stock exchange. The debentures are redeemable after 6 years at par and their current market quotation is Rs.90 per share. The tax rate applicable to the firm is 50 percent. Calculate the weighted average cost of capital.

**OR**

Q3 Company produces 3, 00,000 units during the year. Cost structure of a product is as follows:

(15)

Raw materials	55%
Labour	24%
Overheads	10%
Total Cost	89%
Profit	11%
Selling Price	100%

The company sell's the products at Rs. 250 per unit.

**The following additional information is available:**

- a) Production and sells occurs evenly throughout the year.
- b) Raw materials remain in store for two and half months before production.
- c) The production process takes one half month.
- d) Finished goods remain in store for 2 months before supply.
- e) Debtors allow credit of 2 months on credit sales.
- f) Creditors allow credit of 1 month.
- g) Time lag in payment of wages and overheads is 1 month.
- h) Draw a forecast of working capital requirements of the company.

**Q4. Write short notes (Any 3/5)**

**(15)**

- a) Financial Management
- b) Discounted PBP
- c) Cost of debt and cost of equity
- d) Working Capital Cycle
- e) ARR

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