Hall Ticket No: | | | | | | | | | | |

Question Paper Code: 20MBAP108

MADANAPALLE INSTITUTE OF TECHNOLOGY & SCIENCE, MADANAPALLE

(UGC-AUTONOMOUS)

MBA I Year II Semester (R20) Supplementary End Semester Examinations, April - 2024

FINANCIAL MANAGEMENT

Time: 3Hrs **Max Marks: 60**

Attempt all the questions. All parts of the question must be answered in one place only.
In Q.no 1 to 5 answer either A or B only. Q.no 6 which is a case study is compulsory.

Q.No	Question	Marks	CO	BL
Q.1(A)	"Financial Management deals with procurement of funds and their effective utilization in the business". Elaborate.	10M	1	2
	OR			
Q.1(B)	Critically analyse the concept of "Risk-return trade-off".	10M	1	2
Q.2(A)	Distinguish between a funds flow statement and a cash flow statement.	10M	2	2
	OR			
Q.2(B)	From the following particulars, prepare the balance sheet of NGS Limited which has only one class of capital.	10M	2	4

Sales for the year : ₹ 20,00,000
Gross Profit Ratio : 25%
Current assets ratio : 1.5
Quick assets (cash and debtors) Ratio :1.25
Stock turnover ratio : 15 times
Debtors collection period : $1\frac{1}{2}$ Months
Fixed assets turnover to Fixed assets : 1.5
Ratio of reserves to share capital : 0.33 (i.e., $\frac{1}{3}$)
Fixed assets to net worth : 0.83 (i.e., $\frac{5}{6}$)

Q.No	Question	Marks	CO	BL
Q.3(A)	There are two exclusive capital expenditure proposals before a professionally managed company. The cost of capital for the proposal is 15%. The finance director considers that the NPV method should be relevant, whereas the managing director feels that IRR method is most appropriate for choosing from the alternatives. Following are the details of the two proposals.	10M	3	4

Year	Cash flows (Rs. in lakhs)	
	Proposal A	Proposal B
0	-200	-200
1	35	216
2	80	10
3	90	10
4	70	4
5	20	4

You are required to calculate: (a) NPV and IRR of each project; (b) Recommend with reasons which project you would suggest.

OR

Q.3(B)	From the following information advice the management as to which project is preferable based on pay-back period. Two projects X and Y, each project require an investment of Rs. 30,000. The standard cut off period for the company is 5 years.	10M	3	4

(Net profit after tax, but before depreciation)

Year	Project X (Rs.)	Project Y (Rs.)
1	10,000	8,000
2	10,000	8,000
3	4,000	12,000
4	6,000	6,000
5	8,000	7,000

Q.4(A)	Compute operating, financial and combined leverages from the following details and based on the result, comment on the financial policy of the company. NGS Company Ltd., has sales of Rs. 80,00,000, variable cost 70% of sales and the fixed cost is Rs.16,00,000. The firm has raised Rs. 40,00,000 lakh funds by issue of debentures at the rate of 10%.	10M	4	3

OR

Q.4(B)	From the following information, compute the value of the share using Gor(Model and comment. Earnings per share Rs. 5 Cost of capital 15% Return on investment (a) 20%; (b) 15%; (c) 10% Other details:	10M	4	3

Particulars	i	ii	iii	iv
Dividend Payout Ratio (%)	100	75	50	30
Retention Ratio (%)	-	25	50	70

Q.5(A)	How do you evaluate the working capital requirements of a man(company?	10M	5	3

OR

Q.5(B)	Calculate the amount of working capital required for SRCC Ltd. from the following information:	10M	5	4

	(Per Unit- Rs.)
Raw materials	160
Direct labour	60
Overheads	120
Total cost	340
Profit	60
Selling price	400

Raw materials are held in stock on an average for one month. Materials are in process on an average for half-a-month (50% completion stage). Finished goods are in stock on an average for one month. Credit allowed by suppliers is one month and credit allowed to debtors is two months. Time lag in payment of wages is 1½ weeks. Time lag in payment of overhead expenses is one month. One fourth of the sales are made on cash basis. Cash in hand and at the bank is expected to be Rs. 50,000; and expected level of production amounts to 1,04,000 units for a year of 52 weeks.

You may assume that production is carried on evenly throughout the year and a time period of four weeks is equivalent to a month.

Q.6 **CASE STUDY** 10M 3 5

The Balance Sheet of M/s Black and White as on 31-12-2018 and 31-12-2019 were as follows:

Liabilities	2018	2019	Assets	2018	2019
Creditors	40,000	44,000	Cash	10,000	7,000
Mr. White	25,000	-	Debtors	30,000	50,000
Loan	40,000	50,000	Stock	35,000	25,000
Loan from bank	1,25,000	1,53,000	Machinery (Net)	80,000	55,000
Capital			Land	40,000	50,000
			Buildings	35,000	60,000
	2,30,000	**2,47,000**		**2,30,000**	**2,47,000**

During the year machine costing ₹ 10,000 (accumulated depreciation ₹ 3,000) was sold for ₹ 5,000.
The provision for depreciation against machinery as on 31.12.2018 was ₹ 25,000 and
on 31.12.2019 ₹ 40,000. Net profit for the year 2019 amounted to ₹ 45,000. You are required
to prepare cash flow statement

END