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P.E.S. College of Engineering, Mandya - 571 401

(An Autonomous Institution affiliated to VTU, Belagavi)

Second Semester, Master of Business Administration (MBA)

Semester End Examination; June - 2017

Financial Management

Time: 3 hrs

Max. Marks: 100

Note: i) Answer all **FOUR** full questions from **PART - A** and **PART - B** (Case study) is compulsory.
ii) PV and FV tables are allowed.

PART - A

- 1 a. Explain the functions of Financial Management. 10
b. What are the features of Money market? 10

OR

- 2 a. Explain the objectives of Financial Management. 10
b. Write a note on importance of Indian Financial System. 10
3 a. Write a note on Time value of money. 10
b. (i) Mr. Sarath deposited ` 55,650 in a bank which was paying a 12% interest rate for 10 years time deposit. How much would the deposit grow at the end of 10 years? 10
(ii) Find out the present values of ` 3,000 received after 8 years hence if the discounted rate is 10%.

OR

- 4 a. A company is considering to purchase a Machine out of two available X and Y. Cost is ` 60,000 for both. Evaluate using Profitability Index and NPV from the following data :

Year	X	Y
1	15000	5000
2	20000	15000
3	25000	20000
4	15000	30000
5	10000	20000

- b. Cosmox Company took a loan of ` 10,00,000 for expansion programme from IDBI at 7% per year. The amount has to be raised in 6 equal installments. Calculate the per unit installment. Write Loan Amortization Schedule. 10
5 a. Explain the different sources of long term finance for an organization. 10
b. SV and Co. raises ` 200000 by the issue of 2000, 10% debentures of ` 100 each payable at par after 10 years. If the rate of company's tax is 50%. What is the cost of debt to the firm? How does the answer change, if (i) Redeemed at a premium of 20% (ii) Issued at 10% discount with the floatation cost of 5% (iii) Issued at 10% premium and redeemed at discount of 5%. 10

OR

- 6 a. What are the factors affecting cost of capital? 10
- b. X ltd has the following capital structures on 31 March, 2016.

Source	` (in Lakhs)
Equity share capital (20000 Equity shares)	40
16% Preference share capital (10000 Pref. Shares)	10
14% Debentures (30000 Debentures)	30

The company pays dividends @10%.

Compute a weighted average cost of capital based on the enlisting capital structure. If the above mentioned securities are trading in the market, what would be the weighted average cost of capital, if market prices are

Equity share (20000 eq. share)	` 250 per share
16% Preference share (10000 pref. share)	` 125 per share
14% Debenture (30000 Deb.)	` 120 per debentures

- 7 a. Explain capital Budgeting process. 10
- b. A project cost ` 1,00,000 and yields an annual cash inflow of ` 20,000 for 80 years. Calculate its payback period. 10

OR

- 8 a. What factors influence the Working Capital requirements? 10
- b. What are the sources of Working Capital financing? 10

PART - B9. **Case Study: (Compulsory)**

From the following data, prepare a statement showing working capital requirement for the year 2015.

- i) Estimated output for the year 1,30,000 units (52 weeks).
- ii) Stock of raw materials 2 weeks and material in process for 2 weeks, 50% of wages and overheads are incurred.
- iii) Finished goods remain in storage for 2 weeks.
- iv) Creditor 2 weeks.
- v) Debtors 4 weeks.
- vi) Outstanding wages and overheads 2 weeks each.
- vii) Selling price per unit ` 15.
- viii) Analysis of cost per unit is as below :

Raw Material	` 5 per unit
Labour	` 5 per unit
Over heads	` 2 per unit

Profit

` 5 per unit

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