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SEAT No. :

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F.Y.M.B.A.

FM 552 MJ-GC-10 : FINANCIAL MANAGEMENT

(2024 Pattern) (Semester-II)

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) All questions are compulsory.
- 2) Each question carries equal marks.

Q1) Solve any five.

[5×2=10]

- a) Define Financial Management.
- b) _____ Decision is related with selection of assets.
 - i) Financing
 - ii) Investment
 - iii) Dividend Policy
 - iv) Funds Requirement
- c) List the different sources of funds.
- d) Which ratio measures a company's ability to meet short-term obligations?
 - i) Debt-to-Equity Ratio
 - ii) Current Ratio
 - iii) Return on Equity (ROE)
 - iv) Price-to-Earnings (P/E) Ratio
- e) A shorter operating cycle indicates:
 - i) Higher working capital requirements
 - ii) Efficient cash management
 - iii) Slower inventory turnover
 - iv) Increased debt dependency
- f) State the difference between Gross Working Capital and Net Working Capital.
- g) Describe how the Payback Period method evaluates investment decisions?
- h) Weighted average cost of capital (WACC) is calculated using:
 - i) Only the cost of equity
 - ii) Only the cost of debt
 - iii) A combination of debt and equity costs
 - iv) Only retained earnings

P.T.O.

Q2) Solve any two. [2×5=10]

- Discuss the importance of wealth maximization over profit maximization.
- Explain Time Value Money.
- Explain the factors influencing capital structure decisions.

Q3) Solve any one. [1×10=10]

- The following are the summarised Profit and Loss A/C and Balance sheet of Akash Ltd for the year ended 31st March 2024. Balance sheet as on 31.03.2024

Profit and Loss A/C

Particulars	₹	Particulars	₹
To Opening Stock	99,500	By Sales	9,50,000
To Purchases	5,45,000	By Closing Stock	1,50,000
To Carriage inwards	15,500		
To Gross Profits	4,40,000		
	11,00,000		11,00,000
To Operating expenses	2,00,000	By Gross Profit	4,40,000
To Non-operating expense	40,000	By Non- operating Income	60,000
To Net Profit	2,60,000		
	5,00,000		5,00,000

Balance Sheet as on 31.03.2024

Liabilities	₹	Assets	₹
Equity shares of ₹10 each	2,00,000	Land and Building	1,50,000
Reserves	2,00,000	Plant and Machinery	80,000
Profit and Loss A/c	60,000	Stock in trade	1,50,000
Other current liabilities	90,000	Debtors	45,000
Bills Payable	40,000	Cash and Bank	60,000
		Bills receivable	1,05,000
Total	5,90,000	Total	5,90,000

Calculate

- Net Profit Ratio
- Stock Turnover Ratio
- Current Ratio
- Return on Capital Employed
- Sales to Fixed Assets

OR

- From the following Profit and Loss a/c of Ajay Ltd, Prepare Comparative Income Statement and Interpret the result.

Particulars	2023 Amount (₹)	2024 Amount (₹)	Particulars	2023 Amount (₹)	2024 Amount (₹)
To Cost of Goods Sold	5,40,000	5,84,000	By Sales	8,00,000	8,40,000
To Gross Profit	2,44,000	2,36,000	(-) Sales Return	16,000	20,000
Total (₹)	7,84,000	8,20,000	Total (₹)	7,84,000	8,20,000
To office expenses	1,20,000	1,26,000	By Gross Profit	2,44,000	2,36,000
To Selling Expenses	60,000	70,000			
To Net Profit	64,000	40,000			
Total (₹)	2,44,000	2,36,000	Total (₹)	2,44,000	2,36,000

Q4) Solve any one.

[1×10=10]

- a) The management of Max Industries has called for a statement showing the working capital to finance a level of activity of 1,80,000 units of output for the year. The cost structure for the company's product for the above-mentioned activity level is detailed below:

Particulars	Cost Per unit (₹)
Raw Material	20
Direct Labour	5
Overheads (including depreciation of 5 per unit)	15
	40
Profit	10
Selling Price	50

Additional information:

- Minimum desired cash balance is ₹20,000.
- Raw materials are held in stock, on an average, for two months.
- Work-in-progress (assume 50% completion stage for all components) will approximate to half-a-month's production.
- Finished goods remain in warehouse, on an average, for a month.
- Suppliers of materials extend a month's credit and debtors are provided two month's credits; cash sales are 25% of total sales.
- There is a time-lag in payment of wages of a month; and half-a-month in the case of overheads.

From the above facts, you are required to prepare a statement showing working capital requirements as per cash cost method.

OR

- b) Pooja Ltd is launching a new project to manufacture a plastic component. The estimated unit cost details for an annual production of 104,000 units are as follows:

Particulars	Cost Per unit (₹)
Raw material	40
Direct labour	15
Overheads (including depreciation of ₹5 per unit)	30
Total	85

Additional Information

- Cash in hand is expected to be ₹55,000.
- Selling price ₹100 per unit.
- Raw Material in stock, average 4 week.
- Work in progress, average 2 weeks (Stage of completion 100% material & 50% for other element of cost)
- Finished Goods in stock, average 4 weeks.
- Credit allowed to customers, average 6 weeks
- Credit allowed by suppliers, average 4 weeks.
- Lag in payment of wages, 1.5 weeks

You may assume that production is carried out on evenly throughout the year (52 weeks) and wages and overheads accrue similarly. All sales are on credit basis only. You are required to prepare a statement showing working capital requirement as per Total approach method.

Q5) Solve any one.

[1×10=10]

- a) A firm whose cost of capital is 10 %, is considering two mutually exclusive proposals A and B, the details are as follows:

Particulars	Project A (₹)	Project B (₹)
Initial Investment	15,00,000	15,00,000
1	1,00,000	6,50,000
2	2,50,000	6,00,000
3	3,50,000	6,00,000
4	5,50,000	5,75,000
5	7,50,000	5,25,000
Total	20,00,000	29,50,000

Calculate

- Payback period
- Net Present Value @10%
- Advice which project be selected based on the above methods.

OR

b) Attempt both (5 Marks Each)

- i) Compute and Interpret the Operating leverage and Financial leverage from the following information.

EBIT ₹1,00,000

Fixed Cost ₹2,00,000

EBT ₹80,000

- ii) An organisation issues 10% Preference shares of ₹100 each, redeemable at par after 20 years. Assuming 4% Floatation cost, calculate Cost of Preference share in following conditions.

1) When preference shares are issued at par.

2) When Preference Shares are issued at 10% Discount.

