

Seat No: _____

Enrollment No: _____

PARUL UNIVERSITY
FACULTY OF MANAGEMENT
BBA, Winter 2018- 19 Examination

Semester: 3

Subject Code: 06101203

Subject Name: Financial Management

Date: 24/10/2018

Time: 10:30am to 1:00pm

Total Marks: 60

Instructions

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as Directed.

A). Multiple choice questions. (Each of 1 mark)

(05)

1. Compound interest is calculated on
 - a. Principal amount
 - b. Interest amount
 - c. Principal amount + Interest amount
 - d. Installment amount
2. Symbolically operating cycle of manufacture firm is as under
 - a. $R+W+F+D-C$
 - b. $R+F+D+W-C$
 - c. $R+D+F+W-C$
 - d. $C+R+D+W$
- 3 Budget is a plan showing cash position of business at different time interval during the year
 - a. Cash
 - b. Sales
 - c. Credit sales
 - d. Receivable
4. Which of the following is types of working capital
 - a. Permanent working Capital
 - b. Variable Working Capital
 - c. Semi Variable Working Capital
 - d. All the above
5. In which method it is assumed that each cash inflow received is reinvested in another business at certain rate of interest. ?
 - a. Payback Method
 - b. Terminal Value method
 - c. ARR method
 - d. NPV method

B) Define the following Terms:

1. Financial Management
2. Wealth Maximization
3. Working capital
4. Receivable Management
5. Net working capital

C). Direct questions. (Each of 1 mark)

(05)

1. Provide Formula: EOQ
2. List down any four duties of finance manager
3. What is gross working capital?
4. What is degree of financial leverage?
5. List down any 4 points of differences between operating leverage and financial leverage.

Q.2 Answer the following questions.

A). Explain the types of Working Capital in detail with Diagram.

(07)

B) From following information prepared a monthly cash budget for 3 months ending on 31st March: **(08)**

- a) Revenue is Expected to Rs 90,000 Rs 92,000 & 90,000.
- b) Purchases for December, January, February and march are Rs. 80,000, Rs. 60,000, Rs. 65,000 and Rs. 70,000 respectively. 40% is paid in the next month.
- c) Rent per month Rs. 4,000 and personal withdrawal Rs 6000.
- d) Cash expenses Rs. 14,000 per month.
- e) Wages for December, January, February, March are Rs. 10,000, Rs. 11,000, Rs. 12,000 and Rs. 13,000 respectively. Lag in payment of wages is ½ month.
- f) Rs. 35,000 is paid for the purchase of vehicle in march.
- g) Present cash balance is Rs. 15,000.

Q.3 Answer the following questions.

ABC LTD. has supplied its balance sheet which is as follows:

Balance Sheet			
Liabilities	Amount (in Rs.)	Assets	Amount(in Rs.)
Equity Capital(Rs. 10 per share)	1,50,000	Net Fixed Assets	3,75,000
10% long term debt	2,00,000	Current Assets	1,25,000
Retained Earnings	50,000		
Current Liabilities	1,00,000		
	5,00,000		5,00,000

A).

The company's total assets turnover is 3. Fixed Operating Cost are Rs. 2,50,000 and Variable cost is 40% of sales. The income tax rate is 50%.

- i. Calculate for the company all three types of leverages.
- ii. Determine the likely level of EBIT if EPS is **a. Rs. 1 b. Rs. 3 and c. zero.**

After conducting survey that cost of Rs2,00,000 Zeel ltd. Decided to undertake a project for placing a new product in the market. The company cut off rate is 12%.it was estimated that the project would have a life of 5 years. The project would cost Rs 40,00,000 in plant and machinery addition to working capital of Rs 10,00,000 the scrap value of machinery is 5 years was estimated Rs 5,00,000. Use Depreciation Straight line method.

B).

Year	Amount	P.V. factor 12%
1	5,00,000	0.8929
2	8,00,000	0.7972
3	10,00,000	0.7118
4	6,00,000	0.6355
5	5,00,000	0.5674

Q.4 Attempt any two questions. (Each of 7.5 mark)

(15)

1. Under what circumstances do the Net Present Value (NPV) and the Internal Rate of Return (IRR) methods differ? What method would you prefer and why?
2. XYZ Ltd. decides to use two financial plans and they need Rs. 50,000 for total investment.

Particular	Plan A	Plan B
Debenture (interest @ 10%)	40,000	10,000
Equity shares (Rs 10 Each)	10,000	40,000
Total investment needed	50,000	50,000
Number of equity shares	4,000	1,000

The earnings before interest and tax are assumed at Rs. 5,000, and 12,500. The tax rate is 50%. Calculate the EPS.

3. Define Financial Break Even point and indifference curve. with the help of diagram represent indifference Point.
4. Define Capital Budgeting? And Explain each Method?