Seat No:_____

PARUL UNIVERSITY FACULTY OF MANAGEMENT BBA, Winter 2017 - 18 Examination

Enrollment No:_____

Semester: 3 Data Subject Code: 06101203 Tim Subject Name: Financial Management - I Tota			: 20-12-2017 :: 02:00PM to 04:30PM Marks: 60		
Instruct 1. All qu 2. Figure 3. Make 4. Start r	ions testions are compulsory. es to the right indicate full marks. suitable assumptions wherever necessanew question on new page.	ry.			
Q.1 Do	as Directed.				
A). M	ultiple choice type questions (Each o	of 1 mark)	(05)		
1.	Project X requires an outlay of Rs.50, years. The payback period for the proj	000 and yields an annual cash inflow of I ect will be	Rs. 12,500 for 7		
	a) 3 years	c)4 years			
	b) 4 years and 3 months	d) 3.5 years			
2.	2. Hemang had taken freehold land on lease enjoyable in perpetuity. If the rent is Rs.60,000 p.a. and the rate of interest is 8%. p.a. What will be the value of perpetuity.				
	a)Rs.7,50000	c) Rs. 5,60,000			
	b)Rs. 7,65,000	d)Rs. 9,60,000			
3.	The quantity being ordered at which the minimum is called	ne ordering cost and inventory carrying c	ost will be		
	a) Minimum Level	c) Maximum Level			
	b) Economic Lot size/(EOQ)	d) Ordering Quantity			
4.	If NPV is positive then				
	a) Profitability Index >1	c) Profitability Index <1			
	b) Profitability Index =0	d) all of the above			
5.	If Operating Leverage is 1.5 and Fina	ncial Leverage is 1.33 then combined lev	rerage will be		
	a)1.95	c) 2.10			
	b)1.90	d) 1.995			
B).De	fine the following. (Each of 1 mark)		(05)		
1.	Annuity				
2.	EOQ				
3.	Operating Cycle				
4.	Financial BEP				
5.	Net Present Value				
C).Di	rect questions.(Each of 1 mark)		(05)		
1.	Give formula : a. Financial Leverage	b. Combined Leverage			
2.	List down the objectives of Financial	nanagement.			
3.	Which are the motives of holding cash	1?			
4.	What is indifference point ?				

5. List down the techniques of capital budgeting.

Q.2 Answer the following Questions :

- Kunal borrows Rs. 80,000 for purchasing furniture at interest rate 12%. Discount rate is also 12%. The loan is to be repaid in 5 equal installments, payable at the end of each year. Prepare loan amortization schedule.
- 2 Konark Ltd. has provided following information pertaining to purchase ,sales and expenses. (08) Prepare Cash Budget starting from 1st July to 31stOctober 2017. Opening Cash Balance is Rs. 50,000. (Amount in Rs.)

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Month	Sales	Purchase	Wages	Factory Expenses	Admin. Expenses	Selling Expenses
May	2,00,000	90,000	18,000	12,000	7,000	8,000
June	1,80,000	95,000	20,000	14,000	8,000	9,000
July	2,10,000	94,000	19,000	10,000	7,000	8,000
August	1,70,000	94,000	15,000	13,000	5,000	8,500
September	1,75,000	85,000	22,000	14,500	6,500	8,600
October	2,20,000	72,000	18,000	11,000	7,200	9,300
November	2,12,000	75,000	21,000	9,500	7,500	7,800

Additional Information :

- 1. Machinery to be purchased for Rs. 60,000 in July will be payable on delivery.
- 2. Credit allowed to customer : 1 month, Credit allowed by supplier :1 Month
- 3. Wages are paid after one week, while factor expenses and administration expenses are paid one month after the month in which they are incurred.
- 4. A sales commission of 2.5% on sales is paid two months after the month in which sales is incurred.
- 5. Machinery to be purchased in August for Rs. 1,80,000 is payable in two equal installments in September and October.

Q.3 Answer the following Questions :

1. Ninand Ltd. has provided Balance Sheet for the Year 2016-17.

(07)

Balance Sheet				
Liabilities	Amount (in Rs.)	Assets	Amount (in Rs.)	
Equity Capital(Rs. 10 per share)	60,000	Net Fixed Assets	1,50,000	
10% Long term Debt	80,000	Current Assets	50,000	
Retained Earnings	20,000			
Current Liabilities	40,000			
Total	200,000	Total	2,00,000	

The company's total asset turnover rate is 3. Fixed operating costs are Rs. 1,00,000 and variable cost is 40% of sales. The tax rate is 50%.

(i) Calculate Operating Leverage, Financial Leverage and Combined Leverage.

(ii) Determine the likely level of EBIT, if EPS is (a) Rs. 1 (b) Rs. 3 (c) Zero

2.Sanklap Ltd. Is planning to consider following two projects for Investment. Initial Investment (08) required by Project X is Rs. 60,000 and Project B is Rs. 50,000. Both the projects are expected to generate following net cash inflows :

Year	Project X	Project Y
1	30,000	10,000
2	20,000	5,000
3	20,000	5,000
4	10,000	20,000
5	5,000	20,000
6	5.000	30.000

Cost of capital of the company is 10%. Evaluate both the project proposals using following methods :

- i. Pay Back Period
- ii. NPV method
- iii. Profitability Index Method

Q.4 Answer the following Questions: (Any 2) (Each of 7.5 marks)

- 1. Define Working Capital and discuss in detail different types of working capital.
- 2. LTM ltd. Wants to install machinery costing Rs.45,00,000 for which it is considering various financial plans :
 - i. To raise entire amount of Rs.45,00,000 by equity capital or to issue 10% debentures of Rs. 22,50,000 and the remaining Rs.22,50,000 by equity capital.
 - ii. To raise entire amount of Rs. 45,00,000 by equity capital or to issue 12% preference shares of Rs. 15,00,000 (subject to dividend tax of 10%), RS. 15,00,000 by issue of 10% debentures and Rs. 15,00,000 by equity capital.

Value of each equity share is Rs.100 and corporate tax rate is 40%. Determine Indifference point for each financial plan.

3. Karnataka Zeel Ltd. Decided to undertake a project for placing a new product in the market. The company's cut off rate is 12%. It was estimated that the project would have economic life of 5 years. The project would cost Rs. 42,00,000 in plant and machinery in addition to working capital of Rs. 10,00,000. The scrap value of machinery at the end of 5th year is estimated to be Rs. 5,00,000 after providing for depreciation on straight line basis. Profit after tax were estimated as follows :

Year	Profit after tax(in Rs.)
1	5,00,000
2	8,00,000
3	10,00,000
4	6,00,000
5	5,00,000

Ascertain the Net Present value of the Project and comment whether it should be accepted or not by company.

4. Define Financial Management and discuss the functions of Controller and Treasurer.

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