Seat No: _____________ Enrollment No: _____________

PARUL UNIVERSITY

FACULTY OF MANAGEMENT

BBA Summer 2018- 19 Examination

Semester: 3 **Date: 06/05/2019**
Subject Code: 06101203 **Time: 10:30 am to 01:00pm**
Subject Name: Financial Management **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 only b. interest amount
   c. Time value of money d. none of these
2. Net working capital =
   a. CA-CL b. CA+CL
   c. Total current assests d. Total current liabilities
3. The leverage associated with financing activities is called___________ leverage.
   a. Financial b. Operating
   c. Combined d. Assets
4. which cost is not associated with receivables?
   a. Capital cost b. Selling cost
   c. Collection cost d. Default cost
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: **(05)**

1. Net working capital
2. Receivable Management
3. Financial Management
4. IRR
5. Financial Breakeven point

C).Direct questions. (Each of 1 mark) **(05)**

1. Provide Formulaof FinancialLeverage
2. Define Leverage
3. List down motives of holding cash.
4. Which are the non-discounting techniques of capital budgeting.
5. Provide formula: Accounting Rate of Return

Q.2 Answer the following questions.

A). List down all short term and long-term functions of Financial Management and explain any three indetail. **(07)**

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

Sales is expected to be Rs. 90,000 Rs. 92,000 and Rs 90,000 in the three months.
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.
Rent per month Rs. 4,000. and personal withdrawal Rs 6000
Cash expenses Rs. 14,000 per month.
Rs. 35,000 is expected to be outflow towards purchase of vehicle in the month of march
Present cash balance is Rs. 15,000.

Q.3 Answer the following questions.

A). ABC, Ltd. has supplied its balance sheet which is as follows: **(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		
	2,00,000		2,00,000

The company's total assets turnover is 3. FixedOperating Cost are Rs. 1,00,000 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.

B). The finance director of Earth Ltd. is considering following two projects for investment purpose. Cash Inflow and Cash Outflow of the Sunlight Ltd. and Moonlight Ltd. is given Below. **(08)**
Cost of Capital to be considered is 10%.

Year	**Project X**	**Project Y**
0	(2,00,000)	(2,00,000)
1	35,000	2,18,000
2	80,000	10,000
3	90,000	10,000
4	75,000	4,000
5	20,000	3,000

a. Evaluate above one projects using NPV methods.
b. State with reasons, which project would you recommend to finance manager.

Q.4 Attempt any two questions. (Each of 7.5 mark) (15)

1. Define working capital and explain various factors affecting Working capital of business.
2. Write a note on cost associated with receivables management and optimum credit policy.

3. Define Financial Break Even and with the help of diagram represent indifference Point.

4. XYZ Company considers to purchase one of the following machines.
   Cost of Capital is 10%.

	Machine A	**Machine B**
Life	3 years	3 Years
Capital Outlay	Rs. 1,00,000	Rs. 1,00,000
Earning (After Tax)		
First Year	Rs. 80,000	Rs. 20,000
Second Year	Rs. 60,000	Rs. 70,000
Third Year	Rs. 40,000	Rs. 1,00,000

Calculate profitability of both the machinery using following techniques:

a. Pay -Back Method
b. Average Rate of Return Method
c. Present value method.