

Roll No .....

**MAM-403**

**Master of Applied Management (Dual Degree),**

**IV Semester**

**Examination, June 2017**

**Financial Management**

**Time : Three Hours**

**Maximum Marks : 70**

- Note:** i) Attempt any Five questions.  
ii) All questions carry equal marks.

1. Define Financial Management. Explain functions and importance of Financial Management.

2. The capital structure of XYZ Ltd. is as under:

10% Debentures	: Rs. 8,00,000
6%, 4000 Preference Shares of Rs. 100 each	: Rs. 4,00,000
8000 Equity Shares of Rs. 100 Each	: Rs. 8,00,000
Total Capital	: Rs. 20,00,000

The present earnings before interest and tax (EBIT) is Rs.3,00,000. The company is considering an expansion programme which will require an additional investment of Rs.10,00,000. It is expected that additional investment will yield Rs. 1,00,000 before interest and taxes. The tax rate is 50% and the alternatives are as below:

- a) Issue of 14% Debentures at Par  
b) Issue of 6% Preference Shares at Par  
c) Issue of Equity Shares at Par

Examine and suggest the best alternative.

3. The expected cash flows of a project are:

Year	Cash Flow (Rs.)
0	(1,00,000)
1	20,000
2	30,000
3	40,000
4	50,000
5	30,000

The Cost of capital is 12%. Calculate the followings:

- a) Net Present Value  
b) Internal Rate of Return

4. a) A bond whose par value is Rs. 1,000 bears a coupon rate of 12% and has a maturity period of 3 years. The required rate of return on the bond is 10%. What is the value of this bond?  
b) A company has a book value per share of Rs. 137.80. Its return on equity is 15% and it follows a policy of retaining 60% of its earning. If the opportunity cost of capital were 18%, what would be the price of the share today?

5. The cost sheet of Amit Limited provides the following data:

Amount Per Unit in Rs.

Raw Material Cost	50
Direct Labour Cost	20
Overhead Cost	40
(Including Depreciation of Rs.10)	
Total Cost	110
Profit	20
Selling Price	130

**Additional Information:**

Average raw material holding period is one month. Average material in progress is for half month. Credit allowed by suppliers is one month. Credit allowed to customers is also one month. Average time lag in payment of wages is 10 days. Average time lag in payment of overheads is 20 days. 20% of the sales are on cash basis. Cash Balance expected to be Rs. 1,00,000. Finished goods lie in the warehouse is on an average for one month.

You are required to prepare a statement showing working capital needed to finance an annual level of activity of 54,000 units of output. State your assumptions, clearly.

6. Rohit Limited has placed before you the following trading results:

Year	Sales	Profit in Rs.
2015	2,00,000	10,000
2016	1,80,000	4,000

Find out:

- P/V Ratio
  - Break Even Point
  - Profit if Sales is Rs. 2,50,000.
  - Sales in rupees when desired profit is Rs. 7,500.
  - Margin of Safety at a profit of Rs. 11,250.
7. Describe the various long term sources of finance to corporate enterprises in India.

Write short notes on any two of the followings:

- Time Value of Money
- Lease Financing
- Determinants of Capital Structure

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