



K. K. Wagh Institute of Engineering Education & Research, Nashik
(An Autonomous Institute From A.Y. 2022-23)

	SUMMER-2023		
	Exam Seat No.:		
	Academic Year:2022-2023	Semester:II	
	Name of Programme:MBA	Pattern:2022	
	Name of Course:Financial Management	Course Code:MBA22 2 03	
	Max. Marks:60	Duration:2.50	

Instructions: Candidates should read carefully the instructions printed on the Question Paper and on the cover page of the Answer Book, which is provided for their use.

1. This question paper contains 5 page 5.
2. Answer to each new question is to be started on a new page.
3. Assume suitable data wherever required, but justify it.
4. Draw the neat labelled diagrams, wherever necessary.
5. The last columns indicates the Course Outcome and level of Blooms Taxonomy of the Question/sub-question
6. Solve sub-questions (a) or (b) AND (c) or (d)

Question No. 1 Attempt following Question

- 1a) Explain the following terms: (2 marks each)
- a) Modern approach of financial management
 - b) Profit maximization
 - c) Finance manager
- (6) CO1

Question No. 2 Attempt following Question

- 2a) From the following balance sheet prepare comparative balance sheet: (6 marks)
- (6) CO2

Particulars	31.03.2019 (Rs.)	31.03.2020 (Rs.)
Equity and Liability		
1. Shareholder's fund		
a) Share Capital	10,00,000	7,50,000
b) Reserves & Surplus	6,50,000	7,00,000
2. Non-Current Liabilities		
a) Long-term borrowings	9,50,000	8,00,000
3. Current Liabilities		
a) Trade Payables	1,50,000	1,00,000
Total	27,50,000	23,50,000
Assets		
1. Non-Current Assets		
a) Fixed Assets		
• Tangible Assets	10,00,000	7,50,000
• Intangible Assets	9,50,000	8,00,000
2. Current Assets		
a) Inventory	6,50,000	7,00,000
b) Cash	1,50,000	1,00,000
Total	27,50,000	23,50,000

Question No. 3 Attempt following Question

3a)

A proforma cost sheet of a company provides the following data-

Particulars	Cost per Unit (Rs.)
Raw Materials	20
Direct Labour	8
Overheads	15
Total Cost (per unit)	43
Add: Profit	7
Selling Price	50

The following is the additional information available:

1. Average raw material in store: one month
2. Average work in progress: half month
3. Finished Goods in Stock: on average one month
4. Credit allowed by suppliers: one month
5. Credit allowed to debtors: Two months
6. Time lag in payment of wages: one month
7. Time lag in payment of overhead: one month
8. Cash Balance is expected to be Rs.90,000.

(10) CO3

You are required to prepare a statement showing the working capital needed to finance a level of activity of 52,000 units of output as per Total Approach method of working capital estimation. You may assume that production is carried on evenly basis throughout the year and wages and overheads occur similarly.

OR

3b)

From the following information prepare a estimated working capital requirement statement. Projected annual sales 31200 units. Selling price per unit is Rs.80.

(10) CO3

Particular	Cost per unit as % of Selling Price
Raw Materials	45%
Direct Labour	25%
Overheads	15%

Additional Information:

1. Average raw material in stock: 3 weeks
2. Average work in progress : 5 weeks **assume 50% of completion stage with full material consumption**
3. Average finished goods in stock : 2 weeks
4. Credit allowed by creditors : 4 weeks
5. Credit allowed to debtors : 3 weeks
6. Time lag in payment of wages and overheads : 2 weeks
7. Cash Balance is expected to be Rs. 40000
8. All sales are on credit basis only.

The production is carried out evenly throughout the year.

3c)

From the following data, compute the duration of the net operating cycle for each of the two years and comment on the increase/decrease:

Particulars	Rs. In Thousands	
	Year 1	Year 2
Stocks:		
Raw Materials	20	27
Work-in-progress	14	18
Finished Goods	21	24
Purchases	96	135
Cost of goods Sold	140	180
Sales	160	200
Debtors	32	50
Creditors	16	18

(6) CO3

Assume 360 days per year for computational purposes.

OR

3d) What are the factors affecting working capital?

(6) CO3

Question No. 4 Attempt following Question

4a)

Calculate the Degree of Operating leverage (DOL), Degree of Financial Leverage (DFL), and the Degree of Combined Leverage (DCL) for the following firms:

(10) CO4

Particulars	Firm X	Firm Y	Firm Z
Output (Units)	60,000	15,000	10,000
Fixed Costs (RS)	7,000	14,000	1,500
Variable Cost per unit (RS)	0.20	1.50	0.20
Interest on borrowed funds (RS)	4,000	8,000	-
Selling Price per unit (RS)	0.60	5.00	1.00

OR

4b)

Calculate the degree of operating leverage (DOL), degree of financial leverage (DFL) and degree of combined leverage (DCL) for the following firms:

(10 Marks)

Particulars	Firm X	Firm Y	Firm Z
Output (units)	60,000	15,000	10,000
Fixed Costs (Rs.)	7,000	14,000	1,500
Variable cost per unit (Rs.)	0.20	1.50	0.20
Interest on borrowed funds (Rs.)	4,000	8,000	-
Selling price per unit (Rs.)	0.60	5.00	1.00

(10) CO4

- 4c) XYZ & Co. issues 20,000 12% Preference shares of Rs.100 each at par. Calculate the cost of preference share capital.

(6) CO4

OR

- 4d) ABC Ltd. Has distributed a dividend of Rs.25 on each equity share of Rs.10. The current market price of equity share is Rs.60. Calculate the cost of equity as per dividend yield method.

(6) CO4

Question No. 5 Attempt following Question

5a)

From the following information of the two projects calculate the net present value and suggest which of the two projects should be accepted assuming a discount rate of 10%.

	Project X	Project Y
Initial Investment	Rs.20,000	Rs.30,000
Estimated Life	5 years	5 Years
Scrap Value	Rs.1,000	Rs.2,000

(10) CO5

The profits before depreciation and after taxes (Cash flow) are as follows:

Years	1	2	3	4	5
Project X (Rs.)	5,000	10,000	10,000	3,000	2,000
Project Y (Rs.)	20,000	10,000	5,000	3,000	2,000

OR

5b)

ABC Ltd. is planning investment in new project. The investment of the company is Rs.30,00,000. The company has following two alternatives. Assume cost of capital at 12%.

(10) CO5

Years	Project A	PV at 12%
1	7,00,000	0.893
2	10,00,000	0.797
3	9,00,000	0.712
4	8,00,000	0.636
5	4,00,000	0.567

Find out Payback Period, Net present value and Profitability Index.

- 5c) A project cost Rs. 2,50,000 and yields annually profit of Rs. 50,000 after depreciation @ 12% but before tax @50%. Calculate the payback period. (6) CO5

OR

- 5d) From the following information you are required to calculate ARR. An investment costing Rs.40,00,000 is expected to produce following profits:

Year	Rs.
1	3,20,000
2	6,40,000
3	7,20,000
4	2,40,000

(6) CO5