



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

SUMMER-2024	
Exam Seat No.:	
Academic Year:2023-2024	Semester:IV
Class:SY	Program:MBA
Branch Code:M.B.A.	Pattern:2022
Name of Course:Business CASE STUDY in Finance	Course Code:MBA224206
Max. Marks:30	Duration:1.15 Hrs.

**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 3 page(s).
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 any 2 questions from (a), (b) and (c) options.

**Question No. 1 Attempt following Question( Solve 2 )**

- a) M/s Swarupa Bamboo Works was started with the manufacturing of Bamboo Furniture and Articles. (15)

CO1,  
CO2,  
CO3,  
CO4,  
CO5

Cost of Project	Cost of Land and Building:	Rs. 13.00 lacs
	Plant and Machinery:	Rs. 2.30 lacs
	Others:	Rs. 1.44 lacs
	Margin Money for Working Capital:	Rs. 1.26 lacs
	Total Cost :	Rs. 18.00 lacs
Means of Finance	Capital:	Rs. 5.00 lacs
	Term Loan from Bank :	Rs. 13.00 lacs
	Total:	Rs. 18.00 lacs
	Cash Credit Limit:	Rs. 05.04 lacs

**Projected Balance Sheet**

Particulars	As on 31-3-08	As on 31-3-09	Particulars	As on 31-3-08	As on 31-3-09
<b>Liabilities</b>			<b>Fixed Assets</b>		
Capital	5.00	5.78	Land and Building	11.70	10.53
Profit	3.78	3.98	Furniture and Fixtures	0.45	0.41
Drawings	-3.00	-3.00	Plant and Machinery	2.07	1.86
<b>Net Worth</b>	<b>5.78</b>	<b>6.76</b>	<b>Total Fixed assets</b>	<b>14.22</b>	<b>12.80</b>
Term loans from Bank	13.00	11.00	Preliminary Expenses	1.08	0.81
Cash Credit	4.00	4.10	Debtors	6.30	6.93
Creditors	0.30	0.33	Inventory	1.01	1.11
Other Current Liabilities	0.00	0.02	Cash and Bank Balance	0.37	0.46
<b>Total Current Liabilities</b>	<b>4.30</b>	<b>4.45</b>	Other Current Assets	0.10	0.11
			<b>Total Current Assets</b>	<b>7.78</b>	<b>8.61</b>
<b>Total Liabilities</b>	<b>23.08</b>	<b>22.22</b>	<b>Total assets</b>	<b>23.08</b>	<b>22.22</b>

Income Expenditure Statement:

Income	31-3-08	31-3-09
Sales	25.20	27.72
Interest Income/Other Income	0.00	0.10
<b>Total income</b>	<b>25.20</b>	<b>27.82</b>
Opening Stock	0.00	1.01
Purchase of Raw Materials	6.05	6.68
Labour Charges	7.56	8.32
Other Direct Expenses	0.50	0.55
Less Closing Stock	1.01	1.11
Cost of Goods Sold	13.10	15.44
<b>Gross Profit</b>	<b>12.10</b>	<b>12.38</b>

Expenses	31-3-08	31-3-09
Salary and Staff Expenses	1.44	1.58
Rent, Taxes, Insurance	0.10	0.11
Electricity and Water	0.76	0.84
Travelling	0.10	0.11
Other Administration Expenses	0.81	0.89
<b>Total Expenses</b>	<b>3.21</b>	<b>3.53</b>
<b>Profit before DIT</b>	<b>8.89</b>	<b>8.85</b>
Depreciation	1.58	1.42
<b>Profit before Interest and Tax</b>	<b>7.31</b>	<b>7.43</b>
Interest on Loans	1.95	1.80
Interest on Cash credit	0.63	0.61
Total Interest	2.58	2.41
<b>Profit Before Tax</b>	<b>4.73</b>	<b>5.02</b>
Provision for Tax	0.95	1.04
<b>Net Profit</b>	<b>3.78</b>	<b>3.98</b>

Prepare a Projected Cash Flow of M/s Swarupa Bamboo Works.

- b) Yiyo Ltd.' is a company manufacturing textiles. It has a share capital of Rs.60 lakhs. The earning per share in the previous year was Rs.0.50. For diversification, the company requires additional capital of 740 lakhs. The company raised funds by issuing 10% debentures for the same. During the current year the company earned a profit of Rs.8 lakhs on capital employed. It paid tax @ 40%. (15) CO1, CO2, CO3, CO4, CO5

i) State whether the shareholders gained or lost, in respect of earning per share on diversification. Show your calculations clearly.

(ii) Also, state any three factors that favour the issue of debentures by the company as part of its capital structure.

- c) 1. Shri Vishal Shantilal Hajeri is the Sole Proprietor of M/s Vithal Enterprises. Mr. Hajeri has passed BE Electronics from Pune University, in first class in the year 2002. He has also passed his MBA from Pune University in the year 2005. He started his own manufacturing unit in July 2006 under the firm name and style of M/s Vithal Enterprises (15) CO1, CO2, CO3, CO4, CO5

2. Scope for Business:

He is on the approved list of manufacturers for supply of spare parts to ordinance factory of the Defence Department since 2006. The department has to purchase the spare parts only from the approved list. To that extent the competition is limited.

3. Constitution: The business is a proprietary concern

4. Infrastructure:

a) Premises: He is doing business in rented premises at Pune at the following address: Opposite Dhayareshwar Mangal Karyalaya, Dhayari Phata, Sinhagad Road, Pune-51. His father has purchased land at Ambegaon Budruk for Rs. 3.00 lacs admeasuring 10 R ( Sq.Feet) on 26-10-2004.

Since the present rented premises his very small, Mr. proposes to build a factory shed admeasuring 1200 sq. feet on the plot. The project report is for the purpose of loan for constructing the premises.

b) Suppliers of raw materials: Raw materials viz. Ferrous and Non ferrous Metals required by him are available at Pune and Mumbai.

c) Employees: There are 7 employees with a minimum service of 2 years. Two are DME and the rest are ITI qualified.

d) Electricity: He needs 20 HP connection for which he will submit the application as soon as the construction starts

e) Machinery: He has purchased necessary machinery out of his funds.

f) Furniture: Necessary furniture is already purchased.

5. a) Cost of the Project:

Sr.No	Particulars	Amount in Laacs
1	Land	3.00
2	Construction of premises and electricity	8.00
3	Margin money for working capital	1.00
	<b>Total</b>	<b>12.00</b>

b) Means of Finance:

Sr.No	Particulars	Amount (Laacs)
1	Margin Money ( 58% of the project cost)	7.00
2	Term Loan from Bank (42% of the cost) <sup>2</sup>	5.00
	<b>Total</b>	<b>12.00</b>

6. Profitability Estimates:

Profit and Loss A/c for	Amount In laacs		
	31-3-07	31-3-08	31-3-09
1 Sales	9.46	11.70	13.46
2 Interest/other income	0.00	0.00	0.00
3 Total income	9.46	11.70	13.46
4 Manufacturing expenses	6.14	7.97	9.29
5 Selling and Administrative expenses	0.52	0.59	0.77
6 Depreciation	1.37	1.28	1.25
7 Total Interest	0.34	0.78	0.72
8 Profit before tax	1.09	1.08	1.43
9 Provision for tax	0.01	0.01	0.04
10 Net profit	<b>1.08</b>	<b>1.07</b>	<b>1.39</b>

7. Projected balance sheet:

As on	31-3-07	31-3-08	31-3-09
Liabilities	Actual	Estimated	Projected
Capital and Reserves	6.90	7.12	7.44
Total Term loans	5.26	4.80	4.29
Total current liabilities	1.62	1.63	1.64
<b>Total Liabilities</b>	<b>13.78</b>	<b>13.55</b>	<b>13.37</b>
Assets	31-3-07	31-3-08	31-3-09
	Actual	Estimated	Projected
Total Fixed assets	11.85	10.57	10.32
Total Non current assets	0.00	0.50	0.20
Debtors	0.45	0.65	0.75
Inventory	1.42	1.76	2.02
Cash and Bank Balance	0.06	0.07	0.08
Other Current Assets	0.00	0.00	0.00
<b>Total Assets</b>	<b>13.78</b>	<b>13.55</b>	<b>13.37</b>

## Questions

1) Advise the firm about different sources of finance available to them.

2) Calculate the capital mix and cost of capital of the firm

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