

2018**M B A****2nd Semester Examination****FINANCIAL MANAGEMENT****PAPER—MBA-204****CODE-9****Full Marks : 50****Time : 2 Hours**

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

1. Answer any four questions : 4×5

- (a) What do you mean by mutually exclusive projects ?
How do they differ from acceptreject projects ?
- (b) What are the different approaches to financing of working capital requirements ?
- (c) Discuss five important determinants of working capital.

(Turn Over)

- (d) Distinguish between NI and NOI approach in capital structure.
- (e) Distinguish between capital structure and financial structure.
- (f) earnings of the company Rs. 5,00,000, dividend paid Rs. 3,00,000, number of shares outstanding 1,00,000, price earning ratio 10, rate of return on investment 15. Determine the market value of equity share using Gordon's model.

2. Answer any *two* questions : 2×10

- (a) A company is considering a new project for which the investment data are as follows :

Capital outlay Rs. 3,00,000

Depreciation 20% p.a.

Forecasted annual income before charging depreciation, but after all other charges are as follows :

Year	Amount (Rs)
1	1,00,000
2	1,00,000
3	80,000
4	80,000
5	40,000

On the basis of the available data, set out calculations, illustrating and comparing the following methods of evaluating the return :

- (i) Payback period method.
- (ii) Rate of return on original investment.
- (iii) Net present value method.
- (iv) Internal rate of return method.

- (b) A proforma cost sheet of a company provides the following particulars :

Particulars	Amount per unit (Rs.)
Element of Cost :	
Raw materials	80
Direct labour	30
Overhead	60
Total Cost	<u>170</u>
Profit	30
Selling price	<u>200</u>

The following further particulars are available :

Raw materials in stock, on average, one month; Material in progress (completion stage, 50 per cent), on average, half a month; Finished goods in stock, on average, one month.

Credit allowed by suppliers is one month; Credit allowed to debtors is two months; Average time-lag in payment of wages is 1.5 weeks and one month in overhead expenses; one-fourth of the output is sold

against cash; cash in hand and at bank is desired to be maintained at Rs. 3,65,000.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 1,04,000 units of production. You may assume that production is carried on evenly throughout the year, and wages and overhead are accrue similarly. For calculation purposes, 4 weeks may be taken as equivalent to a month.

- (c) A. Ltd. and B. Ltd. are in the same class and are identical in all respects except that the former company uses debt capital (10% debentures of Rs. 6,00,000) in its capital structure while the latter uses only equity in its capital structure. The total capital employed by each company is Rs. 10,00,000 and the operating profit earned by them @ 15% on their total capital employed. the cost of equity is 12% for an all equity company and the income tax rate applicable to these companies is 40%.

Ascertain :

- (i) The value of each company using NI approach.
- (ii) The value of each company using NOI approach.

[Internal Assessment : 10 Marks]

C/18/MBA/3rd Sem./HR-302

TB-350