

K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH,
Vidyavihar, Mumbai- 400077

Program: MMM (Batch2017-20), Sem-II
Subject: Financial Management
(End Term Examination)

Maximum Marks: 50

Duration: 3 Hours

Date: 9th April, 2018

Instructions

1. Write your assumptions wherever necessary....

Q.1) Shradha and co has under consideration two mutually exclusive proposals for the purchase of new equipment

Particulars	Machine X	Machine Y
Net Cash Outlay	220,000	330,000
Salvage value	20,000	30,000
Life (years)	5	5
Profits before Tax (Rs)	(Rs)	(Rs)
1	95000	95000
2	90000	85000
3	85000	64000
4	90000	60000
5	65000	72000

Assuming the Tax rate to be 30%, Depreciation as per Straight Line Method(SLM).

(20 MARKS)

suggest to the management, the best alternative using:

a) NPV @ 10% cost of capital

QUESTION.2)

ABC LTD furnishes the following information of its company for the year 2018. Estimate the working capital needs of the company on regular as well as cash cost basis.

Sales (2 Months Credit)	40,00,000
Materials consumed(suupliers give 1 month credit)	13,00,000
Wages paid (monthly in arrear)	7,20,000
Total manufacturing expenses(paid 1 month in arrear)	8,00,000
Sales promotion expenses(1 month in advance)	12,00,000
Cash balance	60% of corrent liabilities
Rate of Gross profit	25%

The company keeps stock of Raw Material and Finished goods for 1 month. (10 MARKS)

Estimate the working capital for the company , taking into account the safety margin of 20%.

Q.3]_Write short notes (Any Two) (10MARKS)

- 1) Equity as a long term source of finance
- 2) Factors affecting working capital
- 3) Explain the different techniques of capital budgeting.
- 4) Explain the cash from financing activity and investing activity as per cash flow statement.

Q.4) Household appliances deals with consumer durables having annual turnover of Rs 80 lakhs.75% of which is on credit sales. Note the business details and advise the company on the best decision to be taken.

Propasal	Present	Plan-1	Plan-2
Sales		70 lakhs	75 Lakhs
Credit period	30 Days	60 Days	90 Days
Bad debts	1%	1.5%	2%

Contribution to sales ratio 25%.Other fixed cost amount to Rs 5 lakhs. Cost of capital of 20%.

Recommend which plan to accept. (5 MARKS)

Q.5) Calculate the Operating cycle and the Cash Cycle

Balance sheet for the years

Particulars	2017	2018
Inventory	110	120
Debtors	140	150
Creditors	60	66

Sales for the year amounted to Rs 1000,Gross profit 25%.

(5 MARKS)
