K.J. Somaiya Institute of Management Studies & Research

COURSE: PG-HCM- Batch 2018-20 – 3rd TRIMESTER END TERM EXAMINATION

SUBJECT: FINANCIAL MANAGEMENT

Date of Exam: 25/3/2019 Time: 3 Hours Marks: 50 Marks

Note: 1. All questions are compulsory.
2. Marks to the right indicate full marks.

Q.1 From the following information you are required to estimate working capital requirement for ABC Ltd which is working on 60% capacity. (10)

1. Production at 100% capacity 24000 units' p.a.
2. Selling price Rs. 100 per unit
3. Raw Material Rs.40 per unit
4. Labour Rs.30 per unit
5. Overheads Rs.16000 per month including Rs.4000 as depreciation per month.
6. Processing time One month
7. Inventory Holding – Raw Material: One Month
   Finished Goods: Two Months
8. Credit Period – Customers: Three Months
   Suppliers: Two Months
   Wages: ½ month
   Overheads: One Month
9. Contingency Cash: 10%

Q.2 From the following details you are required to calculate the cost of capital. (10)

a) Dividend per share Rs.10; Market Price of Equity Rs.200; Dividend Distribution tax rate 10%; Growth rate in Dividend 5%, calculate the cost

b) Y Co. Ltd. issues 12% Preference shares (value per share Rs.100) at a premium of 10%, but it will be redeemed after 5 years at a premium of 20%. The company gives 5% underwriting commission as floating charges. If dividend tax is 12.5%, calculate the cost.

Q.3 The following financial statement is summarized from the books of Amit Ltd. as on 31st March 2018. (15)

LIABILITIES	AMOUNT	ASSETS	AMOUNT
Paid up Share Capital	15,00,000	Fixed Assets	16,50,000
Reserves and Surplus	6,00,000	Stock in Trade	9,10,000
Debentures – Long term	5,00,000	Debtors	12,40,000
Bank Overdraft	2,00,000	Short term Investments	1,60,000
Sundry Creditors	12,00,000	Cash	40,000
TOTAL	**40,00,000**	**TOTAL**	**40,00,000**

1. Annual Sales Rs.74, 40,000 2. Gross Profit Rs.7,44,000

You are required to calculate the following ratios for the year and comment on the financial position as revealed by these ratios:

a) Debt Equity Ratio
b) Current Ratio
c) Proprietary Ratio
d) Gross Profit Ratio
e) Debtor's turnover Ratio
f) Stock turnover Ratio

Q.4. A company can make either of the two investments. The forecasted particulars are as follows:

PARTICULARS	PROPOSAL "A"	PROPOSAL "B"
Initial Outlay	20,000	25,000
Estimated life in years	4	5
Net cash flows – Year 1	5500	9000
Year 2	7000	8000
Year 3	8500	8000
Year 4	7500	6000
Year 5	0	3000

It is also estimated that each of the proposal will require an additional working capital (to be invested initially) of Rs.2000 which will be received back in full after the expiry of each project life. The company can arrange funds at 8%. The present value interest factor at 8% is given below:

Year	1	2	3	4	5
PV Factor	0.93	0.86	0.79	0.74	0.68
PVAF				3.3121	3.9927

Comment on the profitability of each of the above proposal based on NPV
Will there be any difference in your selection of project if EANPV is applied? (15)