K.J. Somaiya Institute of Management Studies & Research

PGDM (RM) III Tri. End Term Exam (Batch 2017-19)

Sub: FINANCIAL MANAGEMENT

Date of Exam: 02/04/2018 Time: 3 Hours Marks: 50 Marks

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

Q.1. Prepare an estimate of working capital requirement for WCM Ltd adding 10% for contingencies from the following information.

Estimated cost per unit of production Rs 150/- includes raw materials Rs.80, direct labour Rs.50 and overheads Rs.20. Selling price is Rs.200/- per unit. Level of activity per annum 1, 30,000 units

Raw material in stock : average 4 weeks; work in progress (assume 50 % completion stage) : average 2 weeks; finished goods in stock average 4 weeks; credit allowed by the suppliers average 4 weeks; credit allowed to debtors average 8 weeks; lag in payment of wages average 1.5 weeks and cash at bank is expected to be Rs.45000. You may assume that production is carried on evenly throughout the year (52 weeks) and wages and overheads accrue similarly. All sales are on credit basis only. You may state your assumption, if any.
(15)

Q.2. Azad Ltd is considering the purchase of a machine which will perform some operations which are at present performed by workers. Machines X and Y are alternative models. The following details are available: **(10)**

Particulars	Machine T	Machine Z
Cost of Machine	240000	300000
Estimated life of machine	6 years	6 years
Estimated cost of maintenance p.a.	9000	11000
Estimated cost of Indirect material p.a.	8000	9000
Estimated savings in scrap p.a.	15000	18000
Estimated cost of supervision p.a.	10000	12000
Estimated savings in wages p.a.	95000	125000

Depreciation will be charged on Straight-line basis. The tax rate is 30%. Evaluate the alternatives according to:
1] NPV
2] Profitability Index method assuming cost of capital being 10%
The present value of Rs.1 @10% p.a. for 6 years is 4.354

Q.3. Rajas Ltd with limited investment funds of Rs.10, 00,000 is evaluating the desirability of five investment proposals. Their profits are summarized below: **(10)**

Project	Investment	Annual cash flow (after tax)	Life (in years)
A	2,50,000	56,000	10
B	3,00,000	1,20,000	4
C	4,50,000	70,000	8
D	3,00,000	90,000	16

E	4,00,000	70,000	25

Project B and D are mutually exclusive. The cost of funds is 10%. You are required to find out the feasible combination of projects and rank them on the basis of Net Present Value (NPV)

Year	4	8	16	25	10
PVIFA @10%	3.170	5.335	7.824	9.077	6.145

Q.4 A) From the following information, you are required **to find out the missing figures of assets and liabilities and prepare a balance sheet of X Ltd.** **(08)**

Particulars	Details
Current Ratio	2.5
Liquid Ratio	1.5
Proprietary Ratio (Fixed assets / Proprietor's fund)	0.75
Working Capital	Rs.60000
Reserves and Surplus	Rs.40000
Bank Overdraft	Rs.10000
There is no Long term loan or fictitious assets	

B). Extracts from financial accounts of XYZ Ltd. are **(07)**

Particulars	Year 1 - Assets	Year 1 - Liabilities	Year 2 - Assets	Year 2 - Liabilities
Stock	10,000		20,000	
Debtors	30,000		30,000	
Payment in advance	2,000		0	
Cash in Hand	20,000		15,000	
Sundry Creditors		25,000		30,000
Acceptances		15,000		12,000
Bank Overdraft				5,000
Total	62,000	40,000	65,000	47,000

Sales amounted to Rs.3, 50,000 in the first year and Rs.3, 00,000 in the second year.
You are required **to comment on the solvency position** of the concern with the help of accounting ratios

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