10/6/22

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FIBA601 Enrol. No. ....

[BMCF]

END SEMESTER EXAMINATION : JUNE 2022

FINANCIAL MANAGEMENT

Time : 3 Hrs. *Maximum Marks : 50*

Note: ***Attempt questions from all sections as directed. Use of time value tables and normal calculator are allowed.***

SECTION – A (20 Marks)

Attempt any **four** *questions out of* **five**.
Each question carries **05** *marks.*

1. Explain the determinants of Working Capital for firms.

2. If the present value of cash flows from a project is Rs. 4.50 crore, initial outlay is Rs. 3.75 crore, What is the Profitability Index (PI) of the project?

3. Explain the three approaches for designing and determining a Firm's Capital Structure, with suitable example illustrations for each approach.

P.T.O.

4. (a) Discuss the Traditional approach, Modigliani Miller Model and Pecking order theory of capital structure. (3)

(b) Discuss the changing role of Finance Managers post Covid-19. (2)

5. A manufacturing company has an expected usage of 50,000 units of certain products during the next year. The cost of processing an order is Rs. 20 and the carrying cost per unit is Rs. 0.50 for one year. Lead time on an order is five days and the company will keep a reserve supply of two days usage.

You are required to calculate the economic order quantity. (Assume 360-days in a year).

SECTION – B (16 Marks)

Attempt any **two** *questions out of* **three**.

Each question carries **08** *marks.*

6. A firm wants to open a new coal mine. The price of coal is very volatile and the projected cashflows over the next five years are

YEAR	CASH FLOWS
1	100000
2	250000
3	100000
4	200000
5	50000

After that the cash flows will be a constant Rs. 150,000 per year for next 20 years at which time the mine closes. If 7% is the appropriate discount rate for the first five years and is 8% after that, what is the present value of the mine?

7. Calculate the Operating Leverage, Financial Leverage & Combined Leverage for a Firm using the following information :– Sales 60,000 Units at Rs.10 per unit; Variable cost at Rs.4 per unit; The Fixed Cost is Rs.2,00,000; Also 10% Debentures of Rs.3,00,000 were raised by the firm.

8. (i) What is the relationship between MVA and EVA?

(ii) What factors must be considered before implementing EVA?

(iii) Why is MVA not suitable as a tool for internal management purposes?

P.T.O.

(iv) What does MVA measure?

SECTION – C (14 Marks)

(Compulsory)

9. Following figures and information were extracted from the company A Ltd.

Earnings of the company	Rs. 10,00,000
Dividend paid	Rs. 6,00,000
No. of shares outstanding	2,00,000
Price Earnings Ratio	10
Rate of return on investment	20%

You are required to calculate :

(i) Current Market price of the share.

(ii) Capitalization rate of its risk class.

(iii) What should be the optimum pay-out ratio?

(iv) What should be the market price per share at optimal pay-out ratio? (Use Walter's Model)