

FINANCIAL MANAGEMENT

Time : Three Hours

Maximum : 75 Marks

SECTION-A (20 Marks)

Answer ALL questions

ALL questions carry EQUAL marks (10 x 2 = 20)

- 1 Define the term time value of money.
- 2 Define Financial Management.
- 3 What is meant by Capital Budgeting?
- 4 What do you mean by average rate of return?
- 5 What do you understand by net working capital?
- 6 What is Liquidity?
- 7 What is meant by Average Cost?
- 8 Define Operating Leverage.
- 9 What is Capitalization?
- 10 What do you mean by Capital Structure?

SECTION - B (25 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 5 = 25)

- 11 a What are the scope of Financial Management?
OR
- b What are the functions of Finance Manager?
- 12 a What are the importance of Capital Budgeting?
OR
- b What are the types of Capital Budgeting proposals?
- 13 a What is the need for Working Capital?
OR
- b What are the reasons for changes in Working Capital?
- 14 a What are the basic aspects of Cost of Capital?
OR
- b State the assumptions of the Cost of capital.
- 15 a Distinguish between Financial Leverage and Operating Leverage.
OR
- b Explain the theories of Capitalization.

SECTION - C (30 Marks)

Answer any THREE Questions

ALL Questions Carry EQUAL Marks (3 x 10 = 30)

- 16 What are the factors affecting Financial plan?
- 17 Rahave Ltd. is producing articles mostly by manual labour and is considering to replace it by a new machine. There are two alternative models X and Y of the new machine. Prepare a Statement of profitability showing the pay-back period from the following information:

	Machine X	Machine Y
Estimated life of the machine	4 years	5 years
Cost of Machine	Rs.1,80,000	Rs.3,60,000
Estimated savings in scrap	Rs.10,000	Rs.16,000
Estimated savings in direct wages	Rs.1,20,000	Rs.1,60,000
Additional cost of maintenance	Rs.16,000	Rs.20,000
Additional cost of supervision	Rs.24,000	Rs.36,000

- 18 From the following information you are required to estimate the net working capital requirement.

	Cost per unit Rs.
Raw materials	400
Direct Labour	150
Overheads(excluding depreciation)	300
Total cost	850

Additional Information:

Selling price Rs.1,000 per unit

Output 52,000 units p.a

Raw Materials in Stock Average 4 weeks

Work-in-progress

(Assume 50% stage completion stage with full material consumption) Average 2 weeks

Finished goods in stock Average 4 weeks

Credit allowed by suppliers Average 4 weeks

Credit allowed by debtors Average 8 weeks

Cash at bank in expected to be Rs. 50,000

Assume that production is sustained at an even pace during the 52 weeks of the year. All sales are on credit basis. State any other assumption that you might have made while computing.

- 19 Describe the classifications of cost of capital.
- 20 Explain the factors to be considered in determining capital structure.

Z-Z-Z

END