

M.B.A. (CBCS Pattern) Sem-II
PCB2F06 - Financial Management

P. Pages : 2

Time : Three Hours



GUG/W/22/10687

Max. Marks : 70

- Notes :
1. Attempt **any five** questions.
 2. All questions carry equal marks.
 3. Use PVF Table.

1. The capital structure of XYZ & CO. is comprising of 12% debenture, 9% pref. share and some equity share of Rs. 100 each in the ratio of 3:2:5. The company is considering to introduce additional capital to meet the needs of expansion plans by raising 14% loan from financial institutions. As a result of this proposal, the proportion of different above sources would go down by 1/10, 1/15, 1/6. respectively. In the light of the above proposal, find out the impact on the WACC of the firm given that,
i) Tax rate is 50%.
ii) Expected dividend of ₹ 9 at the end of the year.
iii) The growth rate may be taken at 5%. No change is expected in dividend, growth rate, market price of the share etc, after availing the proposed loan. **14**

2. Ami Industries Ltd is expanding its operations and is in the midst of replacing one of the plant (original cost ₹ 10 Lakhs, life 10 years, depreciation at 25% on WDV) which has a remaining life of 6 years. This machine has a salvage value of ₹ 2,00,000 at present. The new machine being considered for replacement is costing ₹ 15,00,000 (Salvage value 10% at the end of 6 years) The important data regarding new machine are as follows.
Incremental Revenue - ₹ 5,00,000
Fixed cost (Excluding deprⁿ) - Unchange
Variable cost - 30%
Deprⁿ rate - 25% on WDV
The required rate of return - 10%
Tax rate - 30%
There are several assets in the same block of asset.
Evaluate the proposal of the replacement decision whether machine are installed or not? **14**

3. Prepare a working capital forecast from the following information. **14**
Production during the previous year was 10,00,000 units. The same level of activity is intended to be maintained during the current year. The expected ratio of cost to selling price are raw materials is – 40%; Direct wages – 20% overheads – 20%
The Raw material in store for 3 month Every unit of production remain in process for 8 week and assured production cycle is in through out year. Finished goods remain in warehouse for 3 month credit allowed by creditor is 16 week & credit given to debtor is 12 week. The estimated balance of cash to be held ₹ 2,00,000. Lag in payment of wages is 2 week & expenses are ½ month. Selling price is ₹8 per unit. You are required to make a provision of 10% for contingency expect cash. Relevant Assumption may be made (Assume 1 month is 4 week)

4. The earning per share of ABC Ltd. is ₹ 10 and rate of capitalization applicable to it is 10%. The company has before it the options of adopting a pay out of 20% or 40% or 80% using Walter's formula, compose the market value of the company's share if the productivity of retained earnings is i) 20% ii) 10% iii) 8%. **14**

5. The balance sheet of well Established company is as follows. 14

Liabilities	Amount	Assets	Amount
Equity share capital	60,000	Fixed Assets	1,50,000
Retained Earning	20,000	Current Assets	50,000
10% , Long term debt	80,000		
Current Liabilities	40,000		
	2,00,000		2,00,000

The company's total assets turnover ratio is 3, its fixed operating cost are ₹1,00,000 and its variable operating cost ratio is 40%. The income Tax rate is 50% calculate the company the different types of leverages given that the face value of share is ₹10.

6. “In view of changing economic and other environmental factors, modern firms are required to design a more responsive finance function”. How do you account for this? 14
7. “Potential analyst should take into account the time value of money” Explain with suitable examples. 14
8. Give a brief account of the banking policy for financing the working capital requirement of the industry. 14
9. “Take – over strategies for expansion will be craze in corporate”. Explain the rationale of take – over. 14
10. Write a short note on **any two**. 14
- Public deposits
 - Gordon dividend valuation model
 - Watered stock
 - The steps involved in a merger proposal.
