

PC-2483/MJ

F-24/2051

FINANCIAL MANAGEMENT-603

(Semester-VI)

Time : Three Hours]

[Maximum Marks : 70

Note : Attempt *two* questions each from Section A and B carrying 10 marks each and attempt any 10 questions from Section C consisting of 12 short answer type questions carrying 3 marks each.

SECTION – A

- I. 'Finance function is concerned with allocating funds to specific assets and obtaining the best mix of financing in relation to overall valuation of firm.' Discuss.
- II. What are the basic components of Capital budgeting analysis? Explain the difference between NPV and IRR methods.
- III. An enterprise can make either of two investments at the beginning of 2008. Assuming required rate of return of 10% p.a. Evaluate the investment proposals as under :
 - (a) Pay back period.
 - (b) Net present value.
 - (c) Profitability Index.
 - (d) Internal rate of return.

The forecast particulars are given below :

	Proposal–A	Proposal–B
Cost of Investment	Rs. 20,000	Rs. 28,000
Life	4 years	5 years
Scrap value	NIL	NIL
Net income (After depreciation and tax)		
End of 2008	500	NIL
End of 2009	2,000	3,400
End of 2010	3,500	3,400
End of 2011	2,500	3,400
End of 2012	NIL	3,400

It is estimated that each of the alternative projects will require an additional net working capital of Rs. 2,000 which will be received back in full after the expiry of each project life. Depreciation is provided under the straight line method. The present value of Re. 1 to be received at the end of each year at 10% p.a. and 14% p.a. is given below :

Year	1	2	3	4	5
P.V. at 10%	0.91	0.83	0.75	0.68	0.62
P.V. at 14%	0.88	0.77	0.67	0.59	0.52

- IV. (a) A company issues Rs. 10,00,000 10% redeemable Debentures at a discount of 5%. The costs of floatation amounts to Rs. 30,000. the debentures are redeemable after 5 years. Calculate before tax and after tax cost of debt assuming a tax rate of 50%.
- (b) A company issues 10,000 10% preference shares of Rs. 100 each redeemable after 10 years at a premium of 5%. The cost of issue is Rs. 2 per share. Calculate the cost of preference capital.

SECTION – B

- V. Explain the assumptions and implications of NI and NOI approach.
- VI. Explain the various factors that influence the dividend decision of a firm.
- VII. From the following, prepare Income statement of Company A, B and C.

	Company A	Company B	Company C
Financial Leverage	3 : 1	4 : 1	2 : 1
Interest	Rs. 200	Rs. 300	Rs. 1,000
Operating leverage	4 : 1	5 : 1	3 : 1
Variable cost as a			
%age of sales	$66\frac{2}{3}\%$	75%	50%
Income tax rate	45%	45%	45%

- VIII. A proforma cost sheet of a company provides the following particulars :

<u>Elements of Cost</u>	<u>Amount Per Unit</u>
Raw material	80
Direct labour	30
Overheads	60
Total Cost	<u>170</u>
Profit	<u>30</u>
Selling price	<u>200</u>

Raw material are in stock on an average for one month. Work-in-progress on average for half a month. Finished goods are in stock on an average for one month.

Credit allowed by suppliers is one month. Credit allowed to customers is two months. Lag in payment of wages is 1½ weeks. Lag in payment of overhead expenses is one month.

One-fourth of output is sold against cash. Cash in hand and at bank is expected to be Rs. 25,000.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 1,04,000 units of production.

You may assume that production is carried on evenly throughout the year, wages and overheads accrue similarly and a time period of 4 weeks is equivalent to a month.

SECTION – C

IX. Write short notes on any *ten* of the following :

- (a) Profit maximization.
- (b) Financial planning.
- (c) Combined leverage.
- (d) Risk return trade off.
- (e) Optimal capital structure.
- (f) Walters approach.

- (g) Capital budgeting.
- (h) Weighted average cost of capital.
- (i) Profitability index.
- (j) Forms of dividend.
- (k) Bonus shares.
- (l) Retained earnings.

PUNJABI VERSION

ਨੋਟ : ਭਾਗ A ਅਤੇ B ਵਿਚੋਂ ਦੋ-ਦੋ ਪ੍ਰਸ਼ਨ ਕਰੋ। ਹਰੇਕ ਪ੍ਰਸ਼ਨ ਦੇ 10 ਅੰਕ ਹਨ। ਭਾਗ C ਵਿਚਲੇ 12 ਸੰਖੇਪ ਉੱਤਰ ਵਾਲੇ ਪ੍ਰਸ਼ਨਾਂ ਵਿਚੋਂ ਕੋਈ 10 ਪ੍ਰਸ਼ਨ ਕਰਨੇ ਹਨ ਅਤੇ ਹਰੇਕ ਪ੍ਰਸ਼ਨ ਦੇ 3 ਅੰਕ ਹਨ।

ਭਾਗ-A

I. 'ਵਿੱਤ ਕਾਰਜ ਤੋਂ ਭਾਵ ਵਿਸ਼ੇਸ਼ ਅਸਾਸਿਆਂ ਲਈ ਛੁੱਟਾਂ ਦੀ ਅਲੋਕੈਸ਼ਨ ਕਰਨਾ ਹੁੰਦਾ ਹੈ ਅਤੇ ਵਿੱਤ ਦੀ ਚੰਗੀ ਮਿਸ਼ਰਤ ਰਾਸ਼ੀ ਦਾ ਫਰਮ ਦੀ ਕੁਲ ਵੈਲੂਏਸ਼ਨ ਵਧਾਉਣ ਵਿਚ ਯੋਗਦਾਨ ਪਾਉਣਾ ਹੁੰਦਾ ਹੈ।' ਚਰਚਾ ਕਰੋ।

II. ਪੂੰਜੀ ਬੱਜਟਿੰਗ ਵਿਸ਼ਲੇਸ਼ਣ ਦੇ ਬੁਨਿਆਦੀ ਸੰਘਟਕ ਕੀ ਹੁੰਦੇ ਹਨ? NPV ਅਤੇ IRR ਵਿਚਲੇ ਅੰਤਰ ਦੀ ਜਾਣਕਾਰੀ ਦਿਓ।

III. ਨਿਮਨ-ਦਰਜ ਵੇਰਵਿਆਂ ਦਾ ਅਧਿਐਨ ਕਰਕੇ ਲੋੜੀਂਦੀ ਕਾਰਵਾਈ ਕਰੋ :

An enterprise can make either of two investments at the beginning of 2008. Assuming required rate of return of 10% p.a. Evaluate the investment proposals as under :

- (a) Pay back period.
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P.V. at 10%	0.91	0.83	0.75	0.68	0.62
P.V. at 14%	0.88	0.77	0.67	0.59	0.52

IV. ਵੇਰਵਿਆਂ ਦਾ ਅਧਿਐਨ ਕਰਕੇ ਉੱਤਰ ਲਿਖੋ :

- (a) A company issues Rs. 10,00,000 10% redeemable Debentures at a discount of 5%. The costs of floatation amounts to Rs. 30,000. The debentures are redeemable after 5 years. Calculate before tax and after tax cost of

debt assuming a tax rate of 50%.

- (b) A company issues 10,000 10% preference shares of Rs. 100 each redeemable after 10 years a premium of 5%. The cost of issue is Rs. 2 per share. Calculate the cost of preference capital.

ਭਾਗ-B

V. NI ਅਤੇ NOI ਪਹੁੰਚ ਦੀਆਂ ਪੂਰਵ-ਧਾਰਣਾਵਾਂ ਅਤੇ ਅਰਥਾਂ ਬਾਰੇ ਜਾਣਕਾਰੀ ਦਿਓ।

VI. ਕਿਸੇ ਫਰਮ ਦੇ ਲਾਭੰਸ਼ ਨਿਰਣੇ ਨੂੰ ਪ੍ਰਭਾਵਿਤ ਕਰਨ ਵਾਲੇ ਵਿਭਿੰਨ ਪੱਖਾਂ ਦਾ ਉਲੇਖ ਕਰੋ।

VII. ਨਿਮਨ-ਦਰਜ਼ ਦਾ ਅਧਿਐਨ ਕਰਕੇ ਲੋੜੀਂਦੀ ਕਾਰਵਾਈ ਕਰੋ :

From the following, prepare Income statement of Company A, B and C.

	Company A	Company B	Company C
Financial Leverage	3 : 1	4 : 1	2 : 1
Interest	Rs. 200	Rs. 300	Rs. 10000
Operating leverage	4 : 1	5 : 1	3 : 1
Variable cost as a			
%age of sales	$66\frac{2}{3}\%$	75%	50%

Income tax rate 45% 45% 45%

VIII. ਨਿਮਨ-ਦਰਜ ਵੇਰਵਿਆਂ ਦਾ ਅਧਿਐਨ ਕਰਕੇ ਲੋੜੀਂਦੀ ਕਾਰਵਾਈ ਕਰੋ :

A proforma cost sheet of a company provides the following particulars :

Elements of Cost	Amount Per Unit
Raw material	80
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You may assume that production is carried on evenly throughout the year, wages and overheads accrue similarly

and a time period of 4 weeks is equivalent to a month.

ਭਾਗ-C

IX. ਕਿਸੇ 10 ਦੇ ਸੰਬੰਧ ਉੱਤਰ ਲਿਖੋ :

- (a) ਲਾਭ ਅਧਿਕਤੀਕਰਣ ਤੋਂ ਕੀ ਭਾਵ ਹੈ?
 - (b) ਵਿੱਤੀ ਯੋਜਨਾਬੰਦੀ ਕੀ ਹੁੰਦੀ ਹੈ?
 - (c) ਜਤੁੱਤ ਲੀਵਰਜ ਕੀ ਹੁੰਦੀ ਹੈ?
 - (d) ਜੋਖਮ ਲਾਭ ਟਰੇਡ ਆਫ ਤੋਂ ਕੀ ਭਾਵ ਹੈ?
 - (e) ਉਚਿਤ ਪੂੰਜੀ ਸੰਰਚਨਾ ਦੇ ਅਰਥ ਲਿਖੋ।
 - (f) ਵਾਲਟਰਜ ਪਹੁੰਚ ਤੋਂ ਕੀ ਭਾਵ ਹੈ?
 - (g) ਪੂੰਜੀ ਬੱਜਟਿੰਗ ਦੇ ਅਰਥ ਲਿਖੋ।
 - (h) ਪੂੰਜੀ ਦੀ ਵੇਟਿਡ ਔਸਤ ਲਾਗਤ ਵਿਚਾਰੋ।
 - (i) ਲਾਭ ਯੋਗਤਾ ਇੰਡੈਕਸ ਕੀ ਹੁੰਦਾ ਹੈ?
 - (j) ਲਾਭੰਸ਼ ਦੀਆਂ ਕਿਸਮਾਂ ਵਿਚਾਰੋ।
 - (k) ਬੋਨਸ ਸ਼ੇਅਰ ਕੀ ਹੁੰਦੇ ਹਨ?
 - (l) ਰੀਟੇਂਡ ਆਮਦਨੀ ਕੀ ਹੁੰਦੀ ਹੈ?
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