Rajiv Gandhi University of Health Sciences, Karnataka

V semester Bachelors in Hospital Administration Degree Examination – May 2016

Time: Three Hours **Max. Marks: 80 Marks**

Financial Management

Q.P. CODE: 1320

Your answers should be specific to the questions asked.

Draw neat, labeled diagrams wherever necessary

LONG ESSAYS (Answer any Two) **2 x 10 = 20 Marks**

1. Define working capital management. Explain factors influencing working capital management.
2. Explain profit and wealth maximization.
3. Modern company limited is considering the purchase of a machine, which cost Rs.50,000. The machine has a life expectancy of 5 years and no salvage value. The tax rate is 35%. Assume the company uses straight line method of depreciation. The estimated cash flow before depreciation and tax (CFBDT) from the investments is as follows:

Year	1	2	3	4	5
CFBDT	10,000	10,692	12,769	13,462	20,385

Compute the following:
a. Payback period
b. Average rate of return
c. NPV at 10% discount rate
d. Profitability index at 10% discount rate
The PVF at 10% for Re.1 as follows:

Year	1	2	3	4	5
PVF at 10%	0.909	0.826	0.751	0.683	0.621

SHORT ESSAYS (Answer any Eight) **8 x 5 = 40 Marks**

4. Explain functions of finance.
5. Explain different components of short term finance.
6. Explain NPV.
7. Explain different kinds of leverages.
8. Explain inventory management.
9. Explain break even point.
10. Amul limited issues 10 year 9% redeemable debentures for Rs.100 each at par of Rs.5,00,000 and incurs issue expensed at 2%. The company is in 40% tax bracket. Calculate the cost of debt assuming that the debentures are redeemable.
a. At par
b. 5% discount and
c. 5% premium
11. From the following particulars, calculate the weighted average cost of capital.

Sources of Funds	Amount	Specific Cost of Capital
Equity share capital	6,00,000	15%
Retained earnings	3,00,000	15%
Preference share capital	2,00,000	10%
Debentures	2,00,000	12%

12. From the following particulars calculate breakeven point in terms of units and rupees.
Fixed expenses – Rs.4,00,000
Variable cost per unit – Rs.15
Selling price per unit – Rs.20
13. The installed capacity of a factory is 800 units. The actual capacity is 500 units. Selling price per unit is Rs.10 and variable cost per unit is Rs.6 per unit. Calculate the operating leverage in each

of the following situations.
a. When fixed cost are Rs.500
b. When fixed cost are Rs.1,100
c. When fixed cost are Rs.1,500

SHORT ANSWERS (Answer any ten) **10 x 2 = 20 Marks**

14. What is financial management?
15. What is meant by capital structure?
16. What is meant by financial plan?
17. Define share.
18. What is meant by primary market?
19. What is operating cycle?
20. Name the motives for holding cash.
21. What is cash flow statement?
22. What is meant by scrip dividend?
23. What is meant by pay back period?
24. What is meant by weighted average cost of capital?
25. What is meant by retained earnings?

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