Rajiv Gandhi University of Health Sciences, Karnataka

V semester Bachelors in Hospital Administration Degree Examination – APRIL - 2015

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

Financial Management
Q.P. CODE: 1320
(QP contains two pages)

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. What is Working Capital Management? Explain different factors influencing Working Capital Management.
2. Explain objectives of Financial Management.
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 investment are 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.

Years	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 Payback Period and Accounting Rate Of Return.
5. Explain financial decisions in the firm.
6. Explain Inventory Management.
7. Explain different components of Short-Term Finance.
8. Explain Cash Flow and Funds Flow Statement.
9. From the following particulars of a Sun Shine Company, compute the Operating Cycle.

Average inventory:
- Raw materials – 4,00,000
- Work in progress – 6,00,000
- Finished goods – 8,00,000

Particulars of daily operation
- Raw materials consumed – 40,000
- Cost of production – 1,00,000
- Cost of goods sold – 1,60,000
- Credit sales – 1,60,000
- Credit purchase – 80,000
- Total debtors – 8,00,000
- Total creditors – 10,40,000

Assume 360 days per year for the purpose.

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10. The installed capacity of a factory is 700 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.
    - When fixed cost are Rs.500
    - When fixed cost are Rs.1,100
    - When fixed cost are Rs.1,500
11. Joy Limited issues 10 year 9% Redeemable Debentures for Rs.100 each at par of Rs.5,00,000 and incurs issue expenses at 2%. The company is in 40% tax bracket. Calculate the cost of debt assuming that the Debentures are redeemable.
    - At par
    - 5% discount
    - 5% premium
12. From the following particulars, calculate Breakeven Point in terms of units and rupees.
    Fixed expenses – Rs.2,00,000
    Variable cost per unit – Rs.15
    Selling price per unit – Rs.20
13. 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%

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

14. What is Financial Management?
15 What is meant by Cost of Capital?
16. What is meant by Leverage?
17. What is Net Present Value?
18. What is meant by Accounts Receivable?
19. What is Dividend?
20. Name the Money Market Instruments.
21. What is meant by Optimum Capital Structure?
22. What is meant by Secondary Market?
23. Name the motives for holding Inventory.
24. What is meant by Gross and Net Working Capital?
25. How do you calculate EPS?

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