

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA(PART TIME) – SEMESTER III – EXAMINATION – WINTER 2019

Subject Code: 3539901

Date: 23/12/2019

Subject Name: Financial Management

Time: 10:30AM to 01:30 PM

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.
4. CVIF, CVIFA, PVIF, PVIFA table needs to be proved to students.

- Q.1** Explain the terms 14
- (a) Growing Annuity
 - (b) Growing Perpetuity
 - (c) ABC Inventory Technique
 - (d) Operating Leverage
 - (e) EOQ
 - (f) WACC
 - (g) Operating Cycle

- Q.2** (a) What is Financial Management? Explain the role of Finance Manager. 07
 (b) Explain in detail about various long term sources of Finance. 07

OR

- (b) A Rs.100 par value bond, bearing a coupon rate of 9 percent will mature after 4 years. What is the value of the bond, if the discount rate is 13 percent? 07

- Q.3** (a) Volga is a large manufacturing and marketing company in the private sector. In 2018, the company had a gross sales of Rs. 980.2 Crore The other financial data for the company are given below. 07

Particular	Rs. In Crore
Net Worth	152.31
Borrowing	165.47
EBIT	43.17
Interest	34.39
Fixed Cost (excluding Interest)	118.23

You are required to calculate

- a) Debt-equity ratio
- b) Debt ratio
- c) Interest coverage
- d) Operating leverage
- e) Financial leverage
- f) Combined leverage

Interpret your result and comment on the Volga's Debt Policy

- (b) You are appointed as Financial advisor in existing company who is in dilemma about adopting dividend policy, advise them in light of factor determining dividend policy. 07

OR

- Q.3** (a) You are appointed as Finance Manager of Company. The company provides the following data: 07
 Direct Material: Rs. 52 per unit
 Direct Labour: Rs. 19.5 per unit
 Overheads: Rs. 39 per unit
 Selling Price: Rs. 130 per unit
 The following additional information are available:

Average raw material in stock: 1 Month, Average material in progress: 0.5 month, Average finished goods in stock: 1 month, Credit allowed by suppliers: 1 month, Credit allowed by debtors: 2 months, Time lag in payment of wages: 1.5 weeks, overheads: 1 month. 25% of sales are on cash basis. Cash balance is expected to be Rs. 1,20,000.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 70,000 units of output. You may assume that production carried on evenly, throughout the year and wages and overhead accrue similarly.

- (b) Explain the Net Income (NI) and Net Operating Income (NOI) approaches with graph. 07

Q.4 Zomato Ltd has two mutually exclusive proposal X & Y requiring initial outlay of Rs. 100,000 each. Both Projects have life of 7 Years with following cash flows.

Year	Project X	Project Y
1	7,000	45,000
2	10,000	35,000
3	20,000	25,000
4	25,000	8,000
5	40,000	11,000
6	45,000	10,000
7	50,000	15,000

- (a) Calculate NPV if Cost of Capital is 11% 07
 (b) Calculate NPV if cost of capital is 16% 07

OR

- (a) Calculate PI if Cost of Capital is 11% 07
 (b) Calculate PI if cost of capital is 16% 07

Q.5 As an investment advisor, you have been approached by a client called Mr. Vijay for advice on some financial matters. Mr. Vijay is 40 years old and has Rs.3,00,000 in bank. He plans to work for 20 years more and retire at the age of 60. His present salary is Rs.1,80,000 per year. Assume that yearly expenditure of Mr. Vijay is Rs. 80,000.

Mr. Vijay has decided to invest his bank balance and future savings in a balanced mutual fund scheme which he believes will provide a return of 12 percent per year.

Mr. Vijay seeks your help in answering several questions given below. In answering these questions, ignore the tax factor.

- (a) Calculate amount of saving (Balance Mutual Fund) at the age of 60 years of Mr. Vijay. For simplicity assume that he receive full salary at the end of year. 07
 (b) From his saving (Balance Mutual Fund) if Mr. Vijay wants to receive equal annual amount at the end of each year for consumption for next 20 Year (Life Expectancy 80 Years), calculate the annual amount. 07

OR

- (a) Calculate amount of saving (Balance Mutual Fund) at the age of 60 years of Mr. Vijay if yearly expenditure of Mr. Vijay is Rs. 1,00,000 & return on Balance mutual fund is 13%. For simplicity assume that he receive full salary at the end of year. 07
 (b) From his saving (Balance Mutual Fund) if yearly expenditure of Mr. Vijay is Rs. 1,00,000 & return on Balance mutual fund is 13%, if Mr. Vijay wants to receive equal annual amount at the end of each year for consumption for next 20 Year (Life Expectancy 80 Years), calculate the annual amount. 07
