MAULANA ABUL KALAM AZAD UNIVERSITY OF TECHNOLOGY, WEST BENGAL

Paper Code : BBA (HM) 503(A) Financial Management and Risk Analysis

Time Allotted : 3 Hours *Full Marks :70*

The Figures in the margin indicate full marks.
Candidate are required to give their answers in their own words as far as practicable

Group-A (Very Short Answer Type Question)

1. Answer any ten of the following : [1 x 10 = 10]
   - (I) Write down in brief the Dividend Growth Model of cost of Equity.
   - (II) What is the full form of PAT?
   - (III) Annual production capacity is 20000 units. the current market demand is 80%. Calculate monthly output of the business.
   - (IV) Define call option ?
   - (V) What are the three main functions of Financial Management?
   - (VI) Give two advantages of cash flow statement
   - (VII) Write down the formula for cost of Redeemable Preference Share stating the components.
   - (VIII) When will we accept the project basing upon Profitability Index?
   - (IX) Mention any two types of Working Capital.
   - (X) Define cash flow statement
   - (XI) Define cash from operation
   - (XII) Write down the formula of cost of Debenture.

Group-B (Short Answer Type Question)

Answer any three of the following [5 x 3 = 15]

2. Distinguish between Investing Cash flow and Financing Cash flow. [5]
3. Calculate cost of debenture from the following information [5]
   Tax Rate= 35%
   Life time = 10 years
   Rate of Interest =8%
   Issue Price =Rs.95
   Redeemable Price =Rs.100
   Floatation cost = 4%
4. The current market price of equity share is Rs.95. Floatation cost is Rs.5 per share. Dividend per share amounts to Rs.4,5 and it is expected to grow at7%.Calculate cost of capital [5]
5. What do you mean by NPV? Give a suitable example. [5]
6. Distinguish between Cash Flow Statement Vs Cash Account. [5]

Group-C (Long Answer Type Question)

Answer any three of the following [15 x 3 = 45]

https://www.makaut.com

7. Your company is producing 24,000 units per annum at the following cost price structure: [15]

Raw Material	Rs.5 per unit
Wages	Rs. 3 per unit
Overheads variable	Rs.2 per unit
Overheads fixed	Rs.1 per unit
Profit	Rs. 2 per unit
Sales	Rs 13 per unit

Time Lags are:
Raw material 1 month
Work-in-progress 2 months
Finished Goods 2 months
Sundry Debtors 4 months
Creditors for goods 1 month
Liability for wages 1 month
Liability For expenses 2 months
Calculate Working capital.

8. Discuss the role/ functions of a Finance Officer/Manager? [15]

9. Zenith Industries Ltd. are thinking of investing in a project costing Rs.20 lakhs. The Life of the project is 5 years and the estimated salvage value of the project is zero. Straight line method of charging depreciation is followed. The tax rate is 50%. The expected cash flows before tax are as follows [15]

Year	1	2	3	4	5
Estimated cash flow before Depreciation and tax(Rs. in lakhs)	4	6	8	8	10

You are required to determine the:
(i) Average Rate of Return on the investment
(ii) Net present value at 10 % cost of capital
(iii) PI at 10% cost of capital

10. MSTC Ltd. Is now capaitalised with Rs.50,00,000 consisting of Rs.50,000 ordinary shares of Rs.100 each. Additional finance of Rs.30,00,000 is required for a major expansion programme launched by the company. Three possible financing Plans, as mentioned below are under consideration: https://www.makaut.com [15]
i)Entirely through issue of ordinary shares of Rs. 100 each at par.
ii) Entirely through issue of 8% Preference shares of Rs.100 each at par.
iii) Entirely by issue of 9% debentures of Rs.100 each repayable at par.
MSTC is existing earnings before interest and taxes (EBIT) are 5 lakh. After implementation of the Expansion programme, the earnings before Interest and taxes are expected to be double the present level. Assume corporate tax rate of 40%.
Evaluate the financing plans and decide which option is to be chosen?

11. From the following particulars of sun Ltd., determine the working capital requirement: [15]
a) Monthly sales (Expected) – 26,000 units of Rs. 10 each..
b) Analysis of sales : Material 40%, Labour 20%, Overhead 20% and Profit 20%.
c) Raw materials in Stock - 3 weeks.
d) Processing periods- 2 weeks
e) Credit to debtors – 5 weeks
f) Credit from creditors -1 month
g) Lag in payment of overhead – 2 weeks
h) Finished Goods in Stores - 4 weeks.
Production is carried out evenly during the year and expenses accrue similarly.

*** END OF PAPER ***

https://www.makaut.com