Nirma University

University Elective Course

Semester End Examination (IR), May - 2019

B.A., LL.B.(Hons.), Semester-VI
B. Tech. in CE/EE/IC/IT, Semester-VI
Bachelor of Pharmacy, Semester-VI
UEIM007 Financial Management

Roll/ Exam No. [ ]   Supervisor's Initial With date [ ]

Time: 3 Hours   Max. Marks: 100

Instructions: 1) Attempt all Questions.
2) Figures to right indicate full marks.
3) Draw neat sketches wherever necessary.

SECTION – I

Q.1. ABC Pvt. Ltd. is considering two projects P & Q. The cash flow of both the projects is as follows. [20]

Year	Project P	Project Q
1	14500	11800
2	12450	11200
3	17500	12500
4	18400	15000
5	10000	18000

The Investment in Project P is of Rs. 30000 whereas Project Q needs an investment of Rs. 35000. The cost of capital is 10%.

What will be the Pay-back period (PBP), Discounted Pay-back period, Net present value (NPV), and Profitability index (PI) for Project P & Q.? Which Project should be selected? Why?

Q.2. The details for the equity stock of Sun pharma Private Limited and market portfolio over a period of 11 years are given below. [12]

Year	Return on Sun pharma Private Limited	Return on market portfolio
1	15	12
2	-6	1
3	18	14
4	30	24
5	12	16

6	25	30
7	2	-3
8	20	24
9	18	15
10	24	22
11	8	12

Calculate the beta for the stock of Sun pharma Private Limited.

Q.3. Attempt **any two** questions.

[18]

(A) Unix Limited's Equity beta is 1.2. The Market risk premium is 7 percent and the risk free rate is 10 percent. Unix has the Debt Equity ratios of 2:3. Its pre-tax cost of debt is 14%. If the tax rate is 35 percent, what will be the Weighted Average cost of capital (WACC)?

(B) The Following details are available for two firms, X & Y Limited.

Particulars	**X Limited**	**Y Limited**
Sales	500	1000
Variable cost	200	300
Contribution	300	700
Fixed cost	150	400
Earnings before Interest and tax	150	300
Interest	50	100
Profit before tax	100	200

From the above given details, calculate Operating leverage, Financial leverage and Combined leverage for two firms, X & Y Limited. Also, comment on the relative risk position of them.

(C) Trupati Glass manufactures three different products: P, Q & R. The details are as below.

Particulars	**P**	**Q**	**R**
Selling price per unit	Rs. 35	Rs. 50	Rs. 30
Variable cost per unit	Rs. 24	Rs. 37	Rs. 24
Fixed cost attributable to the product	Rs. 27500	Rs. 34500	Rs. 17000

From the above details, calculate the Break-even point (in units) for all the three products.

SECTION -II

Q.4. Attempt **any two** questions.

(A) The relevant financial information for Zenith Limited is as below: [16]

Particulars	Beginning of 2014 (In Rs.)	End of 2014 (In Rs.)
Inventory	60	64
Account receivable	80	88
Account Payable	40	46

The amount of Sales and Cost of goods sold is Rs. 500 & Rs. 360, respectively. What is the length of the Operating cycle and cash cycle? Also comment on the Operating and cash cycle time.

(B) ABC Limited paid dividend of Rs.12. The beginning price of stock was Rs. 120. The ending price of the stock was Rs. 140. Calculate current return, capital return and total return.

(C) Omega enterprises issued 10 year, 9 percent preference shares, 4 years ago. The preference share, which has face value of Rs. 100, is currently selling for Rs. 92. What is the cost of preference share?

Q.5. Attempt **any two** questions.

(A) What is Financial Management? Explain the Features of Finance. [16]

(B) What is Working capital? Explain any Sevan Factors which determining the working capital.

(C) Explain four decision of financial management.

Q.6. Mr. Datta has recently set up a business. To get a better control over the cash flows, he requests you to prepare a cash budget for the next quarter, January to March, for him. He has provided you with the following information. [18]

I. Sales are expected to be: Rs. 50000 in January, Rs. 55000 in February, and Rs. 60000 in March. All sales will be in cash.

II. The estimated purchases are: Rs. 20000 in January, Rs. 22000 in February, Rs. 25000 in March. Payment of the purchase will be made after a lag of one month. Outstandings on account of purchases in December last are Rs.22000

III. The rent per month is Rs. 5000 and his personal withdrawal per month is Rs. 5000

IV. Salaries and other expenses, payable in cash, are expected to be: Rs. 15000 in January, Rs. 18000 in February, and Rs. 20000 in March.

V. A furniture worth Rs. 25000 will be purchase in the month of February on cash payment.

VI. The cash balance at present is Rs. 5000. His target cash balance, however, is Rs. 8000.

What will be surplus/deficit of cash in relation to his target of cash balance?

***