

Or

Discuss the financial forecasting and its various methods of estimation with examples.

2. The following details of A Ltd. for the year ended 31-3-2016 are furnished. <http://www.a2zsubjects.com>

Operating leverage	3 : 1
Financial leverage	2 : 1
Interest charges per annum	₹ 20 Lakhs
Corporate Tax rate	50%
Variable cost as percentage of sales	60%

Prepare the income statement of the company.

Or

Consider the following investment opportunity :

A machine is available for purchase at a cost of ₹ 80,000. We expect it to have a life of five years and to have a scrap value of ₹ 10,000 at the end of the five year periods. We have estimated that it will generate additional profits over its life as follows :

Year	Amount (₹)
1	20,000
2	40,000
3	30,000
4	15,000
5	5,000

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M. B. A. (Second Semester) Examination,
April-May 2017

(New CBCS Course)

FINANCIAL MANAGEMENT

Time Allowed : Three hours

Maximum Marks : 85

Note : Attempt all questions. All questions carry equal marks and strictly follow words limits. Maximum word limit for each answer in 500 words.

1. What do you mean by Financial Management? Explain its scope and objectives with examples.

[3]

These estimates are of profits before depreciation you are required to calculate the returns with Accounting Rate of Return method.

3. Shri Raman is holder of 110 shares of ₹ 100 each in ABC Limited. Although ABC has earned ₹ 10 per share, but the amount of dividend has been determined to ₹ 6 per share. The market price of the share is ₹ 110. If the income tax and capital gain tax rate applicable to Shri Raman is 40% and 10% respectively. Calculate the cost of retained capital.

Or

XYZ Ltd. Balance sheet as on 31-03-2016 is given below :

Capital and Liability	Amt ₹	Asset	Amt ₹
Equity capital	4500000	Fixed asset	9000000
Preference capital (14%)	2000000	Current asset	3000000
Debentures (12%)	3000000		
Term loans (16%)	1000000		
Current liabilities	1500000		
₹	12000000		12000000

The company has raised preference capital two years back and amount raised through debenture issue to the extent of ₹ 20 Lakhs on 1-10-2015. Term loans were released during the beginning of the year. The average corporate tax is 40%. Calculate cost of debt.

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[4]

4. Discuss the factors influencing dividend policy and explain theories of dividend.

Or

What do you mean by dividend? Explain the Irrelevance modes of dividend policy.

5. Define the working capital and explain the factors affecting estimation of working capital requirement in the organization.

Or

Discuss the various methods of estimation of working capital with one numeric example.

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