



AJEENKYA

D Y PATIL UNIVERSITY

End Term Examinations (April/May 2019)

School: SOM-ICRI

Program: MBA in Aviation Management

Course: Advanced Financial Management

Course Code: MGT542

Semester: II

Max Marks: 70

Duration (mins): 180 min

- Note : 1. Attempt ANY SEVEN full Questions OUT OF EIGHT
2. Figures to the right indicate FULL MARKS.

Q1. A) Explain the scope of Financial Management? (5 m)

Q1. B) Explain the sources of finance? (5 m)

Q 2. A project having a life of six years will cost Rs. 5, 00,000. Depreciation is charged on straight line basis and the tax rate applicable to the firm is 40%. If required rate of return is 15%. Calculate accounting rate of return and recommend that the project should be accepted or rejected? (10 m)

Years	1	2	3	4	5	6
Profit before depreciation and tax	1,00,000	1,20,000	1,40,000	1,60,000	1,80,000	2,00,000

Q 3. A) Explain the factors affecting working capital management? (5m)

Q 3. B) PQR Ltd has 80,000 shares outstanding. The current market price of the share is Rs. 20 each. The firms expect a net profit of Rs. 3, 00,000 during the year and the cost of capital estimated to be 20%. The firm is considering dividend of Rs. 2 per share for the current year. Calculate price of the share at the end the of the year.

1. If the dividend is paid. 2. If the dividend is not paid. (5m)

Q 4. The following data is available for Parkson Company:

Earning per Share- Rs .3

Internal rate of return – 15 percent

Cost of capital – 12 percent

If Walter s valuation formula holds, what will be the price per share when the dividend payout is 50 and 100 percent?

If Gordon’s basic valuation formula holds, what will be the price per share when the Dividend payout is 25 percent and 75 percent? (10 m)

Q5. Max Ltd sells goods at a profit margin of 25 percent, counting depreciation as part of the cost of manufacture. If annual figures are as follows:

Sales (two months credit period)	Rs. 240 million
Material Cost (suppliers give three month credit)	Rs.72 million
Wages (wages are paid one month in arrears)	Rs.48 million
Manufacturing expenses outstanding at the end of the year(cash expenses are paid one month in arrears)	Rs. 4 million
Administrative and sales expenses (These are paid as incurred)	Rs. 30

Max Ltd keeps two month stocks of raw materials and one month stock of finished goods.

It wants to maintain a cash balance of Rs. 5 million. Estimate the requirement of working capital requirement on cash cost basis, assuming 10 percent safety margin. Ignore work in progress. (10 m)

Q 6.The ZBB Ltd. needs Rs. 5, 00,000 for construction of a new plant. The following three financial plans are feasible: (10 m)

1. The company may issue 50,000 equity shares of Rs.10 each
2. The company may issue 25,000 equity shares at Rs. 10 each and 2,500 preference shares at Rs100. Per share carrying 8% dividend.

3. The company may issue 25,000 equity shares at Rs. 10 each and 2,500 debentures at

Rs. 100 denomination bearing 8% rate of interest. If the company's earnings before interest and taxes are Rs. 10,000 , Rs. 20,000 , Rs. 40,000 , Rs . 60,000 and Rs. 1, 00,000. What is the earning per share under each of the three financial plans? Which alternative would you recommend? Assume corporate tax rate to be 50%.

Q7. A) Explain the components of working capital? (5 m)

Q7. B) Explain the changing role of financial management? (5m)

Q8. A) The management of XYZ Ltd. wants to determine the company current degree of operating leverage. The company sells 10,000 product units at a price of Rs. 50 each. The variable cost per unit is Rs. 12 while the total fixed costs are Rs. 1, 00,000. (5m)

Q8. B) ABC Ltd invested \$25,000 today in an IT project, may give series of cash inflow in future as below:

Year 1	Year 2	Year 3	Year 4	Year 5
\$5,000	\$9,000	\$ 10,000	\$ 10,000	\$ 3,000

If the required rate of return is 12% per annum. What is the profitability index? (5m)

*****ALL THE BEST*****