

2122

B. Voe. (Logistic Management)
Third Semester
LEM-305: Financial Management

Time allowed: 3 Hours

Max. Marks: 80

NOTE: Attempt five questions in all, including Question No. 1 (Unit-A) which is compulsory and selecting one question each from Unit B-E.

x-x-x

Unit - A

1. Attempt any four questions:

- Explain the concept of working capital cycle.
- explain combined leverage.
- Explain the need of receivable management.
- Explain the risk and return trade off.
- Explain profitability index.
- Explain the concept of stock dividend.

(4 Marks Each)

Unit - B

- Explain the main objectives of financial management. What is the difference between profit maximization and wealth maximization objective?
- Explain the concept of time value of money. Explain various techniques of time value of money.

(16 Marks Each)

Unit - C

- Explain various long term sources of finance. What are the advantages and disadvantages of these sources?
- Explain the concept of capital budgeting. Explain various techniques of capital budgeting. What is the difference between NPV and IRR?

(16 Marks Each)

Unit - D

- What do you mean by capital structure? Explain various factors affecting capital structure decisions.
- The cost of various types of capital of A limited is given below along with target market proportions. Compute the WACC from the following:

Sources of funds	Amount	Proportion of capital	Cost of capital
Debts	400000	40%	9.5
Preference shares	200000	20%	10.65
Equity shares	300000	30%	13.15
Cost of retained earnings	100000	10%	12.00
Total	1000000	100%	

You are required to calculate WACC in following cases:

- According to book value
- According to market value, if the market price of equity share is Rs 280

(16 Marks Each)

(2)

Unit – E

8. Explain the relevance and Irrelevance theories of capital structure.
9. Invisible Ltd. supplies the following information for calculating the working capital. Firm levels of activity is 2,40,000 units. The cost structure particulars are:

Cost Per Unit (Rs.)	
Raw materials	30
Direct labour	10
Over-heads	20
Total	60
Profit	15
Selling price	75

- (a) Raw materials are in store on average for 1 month.
- (b) Work In process (100% complete in regard to materials and 50% for labour and overheads for half a month's production.
- (c) Finished goods remain in godown on average for a month.
- (d) Suppliers one month to customers 2 months (calculation of customers may be made on selling price).
- (e) Minimum cash balance required is Rs. 30,000.
- (f) The production is evenly throughout the year.

(16 Marks Each)

x-x-x