2124

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

Time allowed: 3 Hours   Max. Marks: 80

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

x-x-x

Section : A

Q1. Attempt the following:-

A: Write a brief note on risk return trade off.

B: A person invests Rs. 5000 at the end of each year at 10% rate of interest per year. State what amount he will receive at the end of four years?

C: A company is considering an investment proposal involving an initial cash outlay of Rs. 15,00,000. The proposal has an expected life of five years and zero salvage value. At a required rate of return of 14%, the proposal has a profitability index of 1.6. calculate the annual cash inflows.

D: Distinguish between deposit float and bank float.

(4 x 4= 16)

Section: B

Q 2: Assuming wealth maximization to be the objective of the financial management, show how the financing, investment and dividend decisions of a company can help to attain this objective.

Q 3: 'The finance manager should take into consideration the time value of money in order to take correct financial decisions". Elucidate.

(16 x 1= 16)

Section: C

Q 4: What are the main sources of finance available to industries for meeting short term as well as long term financial requirements? Discuss.

Q 5: An enterprise can make either of two investments in the beginning of 2019. Assuming required rate of return of 10% evaluate the investment proposal as under.

(a): Payback period (b): Net present value (c): Discounted payback period (d): Profitability index
(e): Internal rate of return
The forecast particulars are given below

	Proposal X	Proposal Y
Cost of investment	Rs. 20000	Rs. 28000
Life	4 years	5 years
Scrap value	Nil	Nil
Net Income (after depreciation and tax)		
End of 2019	500	Nil
End of 2020	2000	3400
End of 2021	3500	3400
End of 2022	2500	3400
End of 2023	Nil	3400

It is estimated that each of the alternative projects will require an additional net working capital of Rs. 2000 which will be received back in full after the expiry of each project life. Depreciation is provided under the straight-line method. The present value of Rs. 1 to be received at the end of each year, at 10% p.a. and 14% is given below.

Year	1	2	3	4	5
P.V at 10%	0.91	0.83	0.75	0.68	0.62
P.V at 14%	0.88	0.77	0.67	0.59	0.52

(16 x 1= 16)

Section: D

Q 6: Your company's share is quoted in the market at Rs. 20 currently. The company pays a dividend of Rs. 1 per share and investors market expects a growth rate of 5% per year.

a) Compute the company's equity cost of capital

b) If the anticipated growth rate is 6% p.a., calculate the indicated market price per share.

c) If the company's cost of capital is 8% and the anticipated growth rate is 5% p.a., calculate the indicated market price if the dividend of Rs. 1 per share is to be maintained.

Q 7: Give a critical appraisal of the traditional approach and the Modigliani- Miller approach to the problem of capital structure.

(16 x 1 = 16)

Section: E

Q 8: From the following information you are required to estimate net working capital:

Particulars	Cost per unit (Rs.)
Raw materials	400
Direct labour	150
Overheads (excluding depriciation)	300
Total cost	850
Additional information	
Output	
Raw material in stock	Average 4 weeks
Work-in-process (50 % completion stage with full material consumption)	Average 2 weeks
Finished goods in stock	Average 4 weeks
Credit allowed by suppliers	Average 4 weeks
Credit allowed to debtors	Average 8 weeks
Cash at bank is expected to be	Rs. 50000

Assume that production is sustained at an even pace during the 52 weeks of the year. All sales are on credit basis. State any other assumption that you might have made while computing.

Q 9: Explain the various factors that influence the dividend decisions. (16 x 1= 16)

x-x-x