

Internal Assesment Test - III

Sub:	Financial Mangement.					Code:	16 MBA 22		
Date:	27.05.17	Duration:	90 mins	Max Marks:	40	Sem:	II	Branch:	MBA

Marks	OBE	
	CO	RBT
[02]	CO2	L2
[06]	CO2	L2
[08]	CO2	L4
[02]	CO3	L2
[06]	CO3	L2
[08]	CO3	L3

Part A - Answer Any Two Full Questions (16*02=32 Marks)

1 (a) Write a note on leverage

(b) Explain the concept of Working Capital Management.

(c) From the following information

Sales	1,00,000
Variable cost	50,000
Interest	10,000
Fixed cost	30,000

Calculate operating leverage , financial leverage, Combined Leverage

2 (a) What is Operating Cycle.?

(b) Summaries the disadvantage of inadequate working capital

(c) From the following data, prepare a statement showing WC requirement for the year 2016.

1. Estimated output is 1,30,000 units (52 weeks)
2. Stock of RM 2 weeks and material in process for 2 weeks, 50% of wages and OH are incurred.
3. Finished goods remain in storage for 2 weeks.
4. Creditors 2 weeks
5. Debtors 4 weeks
6. Outstanding wages and OH 2 weeks
7. SP per unit Rs 15
8. Analysis of cost per unit is as below:

Raw Material	Rs 5 per unit
Labour	Rs 3 per unit
Overhead	Rs 2 per unit
Profit	Rs 5 per unit

Assume the operation are evenly spread throughout out the year.

3 (a) Write a note on optimal capital structure.

[02]

CO3		L3
CO2		L3
CO3		L2
CO1		L4
CO3		L4

(b) Explain the different types of dividend?

[06]

(c) ARC currently equity capital consisting of 15000 equity shares of Rs 100 each. The management is planning to raise Rs 25,00,000 to finance a major program of expansion and is considering 3 alternative method of financing.

[08]

1. To issues 25000 equity of Rs 100 each.
2. To issues 25000 8% debenture of Rs 100 each
3. To issues 25000 8% preference share of Rs 100 each.

The companys EBIT is Rs 8,00,000. Assume a corporate rate 50% , determine EPS in each alternative and comment on the result.

Part B - Compulsory (01*08=08 marks)

4

(a) What are the factors influencing working capital requirements.?

[04]

(b) Distinguish between gross working capital and net working capital.

[04]

Course Outcomes		PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8	PO9
CO1:	To explain the basic functions and responsibility of a financial department in a business.				1a,2 b,4a					
CO2:	To elaborate the key decision areas in Financial Management investment , financing, dividend and working capital management.					2b,2 c,3b				
CO3:	To explain the various techniques of evaluation of investment proposal					3c,4 b				
CO4:	To discuss the various factors to be considered in designing the target capital structure.									
CO5:										
CO6:										

Cognitive level	KEYWORDS
L1	List, define, tell, describe, identify, show, label, collect, examine, tabulate, quote, name, who, when, where, etc.
L2	summarize, describe, interpret, contrast, predict, associate, distinguish, estimate, differentiate, discuss, extend
L3	Apply, demonstrate, calculate, complete, illustrate, show, solve, examine, modify, relate, change, classify, experiment, discover.
L4	Analyze, separate, order, explain, connect, classify, arrange, divide, compare, select, explain, infer.
L5	Assess, decide, rank, grade, test, measure, recommend, convince, select, judge, explain, discriminate, support, conclude, compare, summarize.