202: FM: Assignment

Ql) Define Financial Management. Explain the various goals of it in detail.[10]

Q2) The standard ratio for the industry and the ratios of "Prabhat Ltd" aregiven labour. Comment on the financial position of the company comparedto industry standards and give suggestions for improvement. [10]

Ratio	Industry Standard Ratio	Ratio of Prabhat Ltd
Current Ratio	2.4	2.6
Quick Ratio	1.6	1.08
Inventory Turnover Ratio	9	3
Average collection period	34	42
Debt equity Ratio	2 : 1	1.35 : 1

Q3) Ashok Ltd. is planning to invest in a new project. The company has thefollowing 2 alternatives available for investment?[10]

	Project DA'	Project DB'
Investment	30,00,000	30,00,000
Project Life	5Years	6 years
Cost of capital	12%	12%
Cash inflow at the end of the year:		
year 1	7,00,000	8,00,000
year 2	10,00,000	8,00,000
year 3	9,00,000	8,00,000
year 4	8,00,000	8,00,000
year 5	4,00,000	6,00,000
year 6	-	2,00,000

Calculate and suggest the company to select the alternative on the basis of

Pay Back Period and Net Present Value.

Q4) ABC Ltd sells its products on a gross profit of 20% on sales. The following information is extracted from its annual accounts for the year ended 31st December 2014.[10]

Particulars	Amount(Rs.)
Sales at 3 months credit	40,00,000
Raw Material	12,00,000
Wages paid - average time lag 15 days	9,60,000
Manufacturing expensed paid - 1 month in arrears	12,00,000
Administrative expensed paid - 1month in arrears	4,80,000
Sales promotion expenses - payable half yearly in advance	2,00,000

The company enjoys one month credit from the suppliers of raw materialsand maintains a 2months stock of raw materials and one and half month's stock of finished goods. The cash balance is maintained at Rs. 1,00,000 as a precautionary measure. Assuming a 10% margin, find out workingcapital requirement of ABC Ltd.

Q5) a) i) Explain the concept of NI approach. [5]

ii) From the following capital structure of a company, calculate the overall cost of capital using.(5)

A) Book Value Weights.

B) Market Value Weights.

Source	Book Value (Rs.)	Market Value (Rs.)
Equity share capital	45,000	90,000
Retained earnings	15,000	-
Preference share capital	10,000	10,000
Debentures	30,000	30,000

The after tax cost of different source of finance is as follows:

Equity sh. capital = 14%

Retained earnings = 13%

Pref. sh. capital = 10%

Debentures = 5%.