

MID-WESTERN UNIVERSITY
SCHOOL OF MANAGEMENT (MUSOM)
(An Autonomous Institution)
FINAL EXAMINATION: 2021
BACHELOR OF BUSINESS ADMINISTRATION (BBA)
SEMESTER –II

Subject: Financial Management-I

Course Code: MGT 323

Full Marks: 100

Time: 3 Hrs.

You are required to answer in your own words as far as applicable. The figures in the margin indicate the full marks.

Section – B: Short Answer Questions (8 × 5 = 40 Marks)

Answer any eight questions:

1. Discuss how financial management is related with other functional area.
2. You are provided the following information regarding the calculation of following
Number of share outstanding=199,000
Shareholder equity= 5,640,000
Total dividend=120000
Total earning =870,000
Market price per share = Rs79
 - a. What is earning per share?
 - b. What is price earnings ratio?
 - c. What is dividend yield?
3. Define cash conversion cycle and its components?
4. ABC Company just borrowed RS 25000. The loan is repaid in equal installment at the end of each next 5 yrs. and interest rate is 10 percent.
 - a) Set up loan amortization schedule for the loan.
 - b) What fraction of the payment made in year 2 represents the repayment principal?
 - c) What fraction of the payment made in year 3 represent the interest?
5. What is the future value of a 5 year annuity due that promises to pay out Rs 30,000 each year? Assume that all payments are invested at 7 percent a year until 5. What is present value?
6. Define common stock? Explain its features.
7. Mention the uses and limitations of ratio analysis.
8. Himalayan Suppliers must order paper files from its suppliers in lots of one dozen boxes. Given the following information, complete the table below and determine the economic ordering quantity of paper files for the company.
Annual demand: 1000000 dozen
Cost per order placed: Rs 10000
Carrying cost: 15 %
Price per dozen: Rs 1200

Order size(dozens)	6000	8000	10000	12000	14000
Number of orders					
Average inventory					
Carrying cost					
Order cost					
Total cost					
9. Galaxy Corporations annual sales is Rs 5,80,0000 and its annual credit purchase is Rs 4,00,0000. The firm has following current assets and liabilities.
Inventory Rs 4,00,000
Receivable Rs 700000
Account payable 600000
Compute the corporations cash conversion cycle?
10. Discuss about bond? Mention its features.

Section – C: Long Answer Questions (3 × 10 = 30 Marks)

Answer any three question:

11. Define inventory management? Explain the purpose of inventory management.
12. Gorkha company demands 200000 units of inventory per year. Purchase price per unit is Rs 10 and carrying cost is 20 % of inventory. Ordering ock cost per order is Rs 40. Company maintain safety stock of 1000 units.
 - a. Determine the economic order quantity.
 - b. What is the number of order?
 - c. What is the maximum inventory level?
 - d. What is the total inventory level?
13. ABC Textile Company Ltd had the following financial statements as on December 31 2011 and 2012

Assets	2019	2020
Cash and equivalents	Rs 53,000	Rs 31,000
Marketable securities	87000	0
Account receivable	346000	528000
Inventories	432000	683000
Current Assets	918000	1242000
Net fixed assets	1113000	1398000
Total	RS2031000	RS 2640000
Liabilities and Equity		
Account payable	413,000	627000
Accrued expenses	226000	314000
Bank borrowing	100000	235000
Current liabilities	739000	1176000
Common stock	100000	100000
Retained earnings	1192000	1364000
Total	RS 2031000	RS 2640000

Note that for 2020, depreciation was Rs 189000, interest paid was Rs 21000, taxes paid amounted to Rs 114000 and no dividends were paid.

- a) Prepare the statement of cash flow.
- b) Briefly summarize the finding in part (a)
14. A-10 year, 14 percent -annual coupon bond, with a par value of Rs. 1000 may be called in 4 yrs at a call price of Rs.1060. The bonds sell for Rs. 1100. (Assume that the bond has just been issued).
 - a. What is the bond's yield to maturity?
 - b. What is the bond's current yield?
 - c. What is the bond's capital gain or loss yield?
15. Discuss the capital budgeting decision? Explain the methods of capital budgeting decision.

Section – D: Case Study (15 Marks)

16. Your division is considering two investment projects each of which n up-front expenditure of Rs 25 million. You estimate that the cost of capital is 10 percent and that the investments will produce the following after-tax cash flows (in millions of rupee)

Year	1	2	3	4
Project A (Rs)	8	8	8	8
Project B (Rs)	20	10	8	6

- a. What is the regular payback period for each of the project? 4
- b. What is the discounted payback period for each of the projects? 4
- c. If the maximum cost recovery period is 3.5 years, should the project be accepted. 4
- d. Calculate the (MIRR) Modified internal rate of return of each project. 3