

Mid-West University
Examinations Management Office
 Birendranagar, Surkhet
 End Semester (Alternative/Physical) Examination-2078
 Bachelor of Business Studies (BBS)
 Semester - II

Subject: Introduction to Finance -I
 Full Marks: 60 Pass Marks: 30

Course Code: MGMT 323
 Time: 3 Hours

You are required to answer in your own words as far as applicable.

Attempt all of the following Questions:

6×10=60

1. Write the meaning of financial management. Differentiate between profit maximization and wealth maximization objectives of financial management. [2 +8]
2. Using the following information, complete this balance sheet. [10]

Gross profit margin	25%
Sales to inventory ratio	5X
Debt/Net worth	1.5
Acid test ratio	0.4
Total assets turnover ratio	1.5
Days sales outstanding in receivable	20

Balance sheet

Assets	Amount Rs.	Capital and Liabilities	Amount Rs.
Cash	?	Account payable	?
Account receivable	?	Common stock	10,000
Inventories	?	Retained earning	20,000
Plant and equipment	?	-	
Total	?	Total liabilities and capital	?
Sales	?	Cost of goods sold	?

3. a) Define the meaning of time value of money and explain its importance. [1 +4]
- b) Find the present value of Rs.5000 annuity due, per years for 5 years at 5 percent discount rate. [5]

OR

- a) The Surkhet Tool Company was recently formed to manufacture a new product. The company has the following capital structure in market value term:

10% Debentures	Rs.3,00,000
12% Preferred stock	Rs.1,00,000
Common stock (16000 shares)	Rs.4,00,000

The common stock sells for Rs.25 a share and the company has marginal tax rate is 40 percent. A study of publicly held companies in this line of business suggests that the required rate of return on equity is about 17 percent for a company of this short. Compute the firm's present weighed average cost of capital. [5]

- b) Write the meaning of cost of capital with its components. [5]

4. A corporation's annual sales are Rs. 24,00,000 and its annual credit purchase is Rs. 15,00,000. The corporation has following current assets and current liabilities:
 Inventory Rs. 1,50,000
 Receivable Rs. 3,00,000
 Account payable Rs. 2,50,000.
- Calculate the corporation's inventory conversion period. [2.5]
 - Calculate the corporation's receivable conversion period. [2.5]
 - Calculate the corporation's payable deferral period. [2.5]
 - Calculate the corporation's cash conversion cycle. [2.5]
5. Give the concept of working capital. Explain the various factors that affect the working capital of a business organization. [2+8]

OR

Following are the cash flows of equally risky project X and project Y:

Year	0	1	2	3	4	5
Project X	(10,00,000)	2,40,000	2,40,000	2,40,000	2,40,000	2,40,000
Project Y	(7,00,000)	3,00,000	2,00,000	1,60,000	1,60,000	1,80,000

The required rate of return of these projects is 10 percent. Calculate pay-back period (PBP), net present value (NPV), and internal rate of return (IRR) of each project. Which project would you select if they are mutually exclusive? [10]

6. Following is the financial statement of Nepal Food Corporation:

Assets	2019	2020	Liabilities	2019	2020
Cash	1300	1420	Note payable	1280	1436
Bills receivable	4764	4212	Account payable	1974	2430
Inventory	8816	9964	Other current liabilities	180	460
Fixed assets	27984	37168	Long term debt	8636	8380
-	-	-	Owner's equity	30794	40058
	42,864	52,764		42,864	52,764

Other information:

- Net profit for the year Rs.17,264
- Dividend paid for the Rs. 8000
- Addition to retained earning Rs.9264
- Depreciation Rs.4280

Required:

- Cash flow statement. [8]
- Briefly summarize your findings. [2]

The End