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FINANCIAL MANAGEMENT

Paper — 204

Full Marks — 100

Time : Three hours

The figures in the margin indicate

PART — A

1. Attempt any five questions:

- (a) ✓ What do you mean by Net Present Value? **411**
- (b) ✓ What is financial leverage? **635**
- (c) ✓ Distinguish between permanent and temporary working capital. **807**
- (d) ✓ What does Profitability Index signify? What is its value, when the NPV of the project is zero, negative and positive? **419**

Photo

MBA 2nd Sem

25(2) FMT 204

EM

(e) Define "Business Risk" and "Financial Risk".

(f) Enumerate the important ratios to test the liquidity of a firm.

(g) Non-fund and non-operating debits in Profit & Loss A/c.

PART - B

Attempt any three questions

3x10=30

(a) A company is considering the purchase of a delivery van and is evaluating the two choices given below:

(i) The company can buy a used van for Rs. 20,000, after 4 years sell the same for Rs. 2,500 (net of taxes) and replace it with another used van which is expected to cost Rs. 30,000 and last 6 years with no terminating value.

(ii) The company can buy a new van for Rs. 40,000. The projected life of the van is 10 years and has an expected salvage value (net of taxes) of Rs. 5,000 at the end of ten years.

The services provided by the vans under both choices are the same. Assuming the cost of capital 10 per cent, which choice is preferable?

(b) Agarwal & Company plans to sell 48,000 units next year. The expected cost of goods sold is as follows:

	Unit cost	Monthly cost*
Raw Materials	Rs. 60	Rs. 2,40,000
Manufacturing Expenses	Rs. 40	Rs. 1,60,000
Selling, Administration & Financial Expenses	Rs. 20	Rs. 80,000
	<u>Rs. 120</u>	<u>Rs. 4,80,000</u>
	160	

* At a monthly sales level of 4,000 units.

The selling price per unit is expected to be Rs. 100.

The duration at various stages of the operating cycle is expected to be as follows:

Raw-materials stage	1 month
Work-in-process stage	2 months
Finished Goods stage	1 month
Debtors stage	2 months

Calculate the investment in various current assets.