

Exam Date & Time: 18-Jul-2022 (10:00 AM - 01:00 PM)



MANIPAL ACADEMY OF HIGHER EDUCATION

Financial Management [PMA-MPD203T]

Marks: 75

Duration: 180 mins.

Section A

Answer all the questions.

- 1)
- (a) A company has in issue 10% preference shares of Rs. 100 face value. If the expected rate of return is 12% calculate the value of preference share
 - (b) A company has in issue 12% debentures of face value Rs. 1000. The interest on debentures is paid semiannually. The debenture will mature at face value in 8 years from now. Calculate the value of debentures if the expected rate of return is 11%. (10)
 - (c) A company has issued equity shares of face value Rs.5. It has paid a dividend of Rs.10 recently. The expected rate of return of the investors is 14%. Calculate the value of equity if (i) the dividend is not likely to grow, (ii) the dividend is likely to grow at 8% per annum, and (iii) the dividend is likely to grow at 8% per annum for 6 years following which the dividend is likely to grow at 10% per annum until foreseeable future.

- 2) Estimate Payback Period, Discounted Payback Period, Net Present Value, and Internal Rate of Return of the following project. Should the project be accepted?

Year	Cash Flows Project A (Rs.)	
0	-93750	
1	18750	
2	15000	
3	25000	
4	37500	
5	31250	
6	25000	(10)

- 3) The following are the estimated sales of a company for eight months ending 30.11.2022:

Months	Estimated Sales (Units)	
April 2022	12600	
May 2022	13650	
June 2022	9450	
July 2022	8400	
August 2022	10500	
September 2022	12600	
October 2022	14700	
November 2022	12600	(10)

The company maintains the closing balance of finished goods and raw materials as follows;

- Finished Goods: 60% of the estimated sales for the next month
- Raw Materials: Estimated consumption for the next month

Every unit of production requires 3 kg of raw materials costing Rs.12 per kg.

Prepare production budget (In units) and raw material purchase budget (in units and cost) of the

company for the half year ending 30 September 2022

- 4) Journalise the following transactions in the books of Gipton & Co. and prepare Cash account.

Jan 1 Commenced business with cash Rs. 80,000
 Jan 2 Deposited cash with bank Rs. 40,000
 Jan 3 Purchased goods by paying cash Rs. 5,000
 Jan 4 Purchased goods from Lipton & Co. on credit Rs. 10,000
 Jan 5 Sold goods to Joy and received cash Rs. 11,000 (10)
 Jan 6 Paid salaries by cash Rs. 5,000
 Jan 7 Paid Lipton & Co. by cheque for the purchases made on 4th Jan. Rs. 10,000
 Jan 8 Bought furniture by cash Rs. 4,000
 Jan 9 Paid electricity charges by cash Rs. 1,000
 Jan 10 Bank paid insurance premium of the owner Rs. 300

- 5) Following is the Balance sheet of Atal Ltd for two years

Liabilities	Amount (Rs)		Assets	Amount (Rs)	
	2021	2022		2021	2022
Equity Share Capital	80,000.00	1,60,000.00	Land and Building	50,000.00	1,00,000.00
Retained Earnings	35,000.00	41,000.00	Plant and Machinery	60,000.00	70,000.00
9% Preference Shares	15,000.00	25,000.00	Investments	66,400.00	1,20,100.00
10% Debentures	50,000.00	76,000.00	Stock	3,200.00	7,000.00
Sundry Creditors	1,200.00	2,000.00	Cash and Bank Balances	2,000.00	6,000.00
Bank overdraft	1,500.00	2,500.00	Accounts Receivables	2,200.00	5,200.00
Short term Loan	1,100.00	1,800.00			
	<u>1,83,800.00</u>	<u>3,08,300.00</u>		<u>1,83,800.00</u>	<u>3,08,300.00</u>

Additional Information: sales and net profit earned by the Atal Ltd in current and previous period is given below:

(10)

	2021 (Rs)	2022 (Rs)
Sales of Atal Ltd	75,000	1,08,000
Profit of Atal Ltd	9,700	16,750

You are required to calculate following ratios for 2021 and 2022 and interpret the results.

- Current Ratio
- Acid Test Ratio
- Asset Turnover Ratio
- Return on Assets
- Debt to Equity Ratio

Section B

Answer all the questions.

- 6) Define Accounting. Explain its objectives and qualitative characteristics. (5)
- 7) Discuss the Financial Management functions. (5)
- 8) List the various sources of capital and explain them. (5)
- 9) Discuss the determinants of dividend decision. (5)
- 10) Discuss the liquidity and profitability ratios. (5)

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