

MANIPAL INSTITUTE OF TECHNOLOGY

V SEMESTER B.TECH. (PROGRAM ELECTIVE-I) END SEMESTER EXAMINATIONS, NOV/DEC 2016

SUBJECT: FINANCIAL MANAGEMENT [HUM 4011]

REVISED CREDIT SYSTEM

(01/12/2016)

Time: 3 Hours

MAX. MARKS: 50

Instructions to Candidates:

- ✤ Answer ALL the questions.
- Missing data may be suitably assumed
- ✤ Interest factor table is provided in the last page.

1A.	What is working capital management? Explain the importance of working capital management to a firm.	(03)
1B.	State the objective of financial management. What factors do you think mostly affects the decision on choices of sources of funds and how (any four)?	(03)
1C.	With a neat sketch explain the operating cycle of firm	(04)
2A.	 Explain the following terms and its importance: a) Debt equity ratio b) Price earnings ratio c) Debenture Redemption Reserve 	(03)
2B.	Differentiate between an equity share and debenture (any three).	(03)
2C.	 Jain Manufacturing sold 20,000 units of its products for RS.100 per unit in the current year. Variable cost per unit is RS.60 and total fixed costs are RS.2, 00,000. i) Calculate (a) contribution margin and (b) operating income (profits) ii) Jain's current manufacturing process is labour intensive. Rahul, Jain's production manager, has proposed investing in state-of-the-art manufacturing equipment, which will increase the annual fixed costs to RS.7,00,000. The variable costs are expected to decrease to RS.30 per unit. Jain expects to maintain the same sales volume and selling price next year. How would acceptance of Rahul's proposal affect your answers to (a) and (b) in requirement (i)? iii) Should Jain accept Rahul's proposal? Explain. 	(04)
3A.	List the different types of account and the corresponding rule of accounting according to the traditional approach.	(03)
3 B .	Great Can Company's (GCC) latest annual dividend of \$1.25 a share was paid yesterday and maintained its historic 7% annual rate of growth. You plan to purchase the stock today because you believe that the dividend growth rate will increase to 8% for the next three years and the selling price of the stock will be \$40 per share at the end of that time. a. How much should you be willing to pay for the GCC stock if you require a 12% return?	(03)

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3C.	De	 termine the effect of the follow i) Bought machinery on cred ii) Paid the above bill iii) Withdrew money for perso iv) Inventory of supplies decr 	ving transaction lit onal use reased by the end	n on capital.		(04)		
4A.	The following is the Trial balance as on 31st December 1992 extracted from the books of Mr. Ratan. Prepare the final accounts.							
		Debit Balances	Rs.	Credit Balances	Rs.			
		Cash in hand	2,000	Capital	2,00,000			
		Machinery	60,000	Sales	2,54,800			
		Stock	50,000	Sundry creditors	40,000			
		Bills receivable	1,600	Bank overdraft	22,000			
		Sundry debtors	50,000	Return outwards	3,000			
		Wages	70,000	Discount received	1,800			
		Land	40,000	Bills payable	1,800			
		Carriage inwards	2,400					
		Purchases	1,80,000					
		Salaries	24,000					
		Rent	4,000					
		Postage	1,000					
		Return inwards	3,200					
		Drawings	10,000					
		Furniture	18,000					
		Interest paid	600					
		Cash at Bank	6,600					
			5,23,400		5,23,400			
	Stock as on 31/12/1992 is Rs. 1,00,000							
4B.	Wl gen ,se pro	hat is Capital budgeting? A p nerates net cash flows of Rs. 95 cond, third and fourth year r ofitability index for the project.	project require 5,000, Rs. 95,0 respectively. C	s an initial investment of 000 ,Rs. 1,00,000 and Rs. 1 Calculate the internal rate	Rs. 2,50,000 and ,12,500 in the first of return and the	(05)		
5A.	Ex	plain the business entity concep	pt and going co	oncern concept in accountin	g.	(02)		
5B.	A	person planning to invest in ar	account (with	n interest rate of 10%) Rs.3	0,000 in the years	(04)		

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5C. State the bond value theorems and determine the value of a semi-annual bond whose par value is \$1,000 and a coupon rate of 10% with a maturity of !a years. If the required rate of return is 12%.

2%		The Contract of Contract of Contract		Compound I	nterest Factors				12%
	Single Payment		Uniform Payment Series				Arithmetic Gradient		
n	Compound Amount Factor Find F Given P F/P	Present Worth Factor Find P Given F P/F	Sinking Fund Factor Find A Given F A/F	Capital Recovery Factor Find A Given P A/P	Compound Amount Factor Find F Given A F/A	Present Worth Factor Find P Given A P/A	Gradient Uniform Series Find A Given G A/G	Gradient Present Worth Find P Given G <i>P/G</i>	n
1	1.120	.8929	1.0000	1.1200	1.000	0.893	0	0	1
2	1.254	.7972	.4717	.5917	2.120	1.690	0.472	0.797	2
3	1.405	.7118	.2963	.4163	3.374	2.402	0.925	2.221	3
4	1.574	.6355	.2092	.3292	4.779	3.037	1.359	4.127	4
5	1.762	.5674	.1574	.2774	6.353	3.605	1.775	6.397	5
6	1.974	.5066	.1232	.2432	8.115	4.111	2.172	8.930	6
7	2.211	.4523	.0991	.2191	10.089	4.564	2.551	11.644	7
8	2.476	.4039	.0813	.2013	12.300	4.968	2.913	14.471	8
9	2.773	.3606	.0677	.1877	14.776	5.328	3.257	17.356	9
10	3.106	.3220	.0570	.1770	17.549	5.650	3.585	20.254	10
11	3.479	.2875	.0484	.1684	20.655	5.938	3.895	23.129	11
12	3.896	.2567	.0414	.1614	24.133	6.194	4.190	25.952	12
13	4.363	.2292	.0357	.1557	28.029	6.424	4.468	28.702	13
14	4.887	.2046	.0309	.1509	32.393	6.628	4.732	31.362	14
15	5.474	.1827	.0268	.1468	37.280	6.811	4.980	33.920	15
16	6.130	.1631	.0234	.1434	42.753	6.974	5.215	36.367	16
17	6.866	.1456	.0205	.1405	48.884	7.120	5.435	38.697	17
18	7.690	.1300	.0179	.1379	55.750	7.250	5.643	40.908	18
19	8.613	.1161	.0158	.1358	63.440	7.366	5.838	42.998	19
20	9.646	.1037	.0139	.1339	72.052	7.469	6.020	44.968	20