

Savitribai Phule Pune University  
Department of Management Sciences (PUMBA)  
Executive MBA  
2<sup>nd</sup> Year (Semester -III) External Exam Nov. 2014

**302-Advanced Financial Management**

Time: 2hrs.

Marks: 50

*Solve any 5 questions  
All questions carry equal marks*

- Q.1** P Ltd. Uses three types of materials A, B, C for production of X. The relevant monthly data given below

Particulars	A	B	C
Normal usage ( in units )	300	225	270
Minimum usage ( in units )	150	150	135
Maximum usage ( in units )	450	375	405
Re-order quantity ( in units )	1125	1350	1080
Re - order period ( in months )	2 to 3	3 to 4	2 to 3

Calculate for each component

a) re order level

b) minimum level

- Q.2** From following calculate EOQ  
a) Annual requirement 20000 units  
b) cost of placing and receiving one purchase order Rs.600  
c) Cost of materials per unit Rs.400  
d) annual carrying cost of inventory 10 % on inventory value

- Q.3** The selected financial data for A, B and C companies for the year ended Dec 31 2013 are as follows

Particulars	A	B	C
Variable expenses as a percentage of sales	66( 2/3 )	75	50
Interest expenses	Rs. 200	Rs. 300	Rs. 1,000
Degree of operating leverage	5 - 1	6 - 1	2 - 1
Degree of financial leverage	3 - 1	4 - 1	2 - 1
Income tax rate	50	50	50

Prepare income statement of A,B and C companies.

- Q.4** From following information relating to a limited company , prepare statement of proprietors funds  
1) current ratio - 2                      2) liquid ratio - 1.5    3) fixed assets / proprietor's fund - 3/4  
4) working capital Rs.75000                      5) Reserves and surplus Rs.50000  
6) Bank overdraft Rs.10000.  
There were no long term loans or fictitious assets.  
All working must form part of your answer.

**Q.5**

Particulars	Jan	Feb	Mar	Apr	May	June
Consumption of raw material	20000	22000	18000	21000	24000	25500
Opening stock	Nil	?	?	?	?	?
Closing stock	2000	1000	3000	1000	2500	2000
Opening creditors	Nil	?	?	?	?	?
Closing Creditors	5000	3000	4000	2500	1000	1500

- a) Find purchases in each month
- b) Find payment to creditors in each month assuming all purchases are on credit basis.

**Q.6** Explain with illustrations

- a) Discounted pay back period
- b) Internal Rate of return

**Q.7** Explain following concepts with illustrations

- a) Operating leverage
- b) Financial leverage
- c) Combined leverage