

**Savitribai Phule Pune University**  
(Formerly University of Pune)  
**Department of Management Sciences (PUMBA)**  
**Executive MBA**  
**2<sup>nd</sup> Year (Semester –III) External Exam November – 2015**  
**302: Advanced Financial Management**

**Time: 2hrs.****Marks: 50**

**Instructions:** 1. Attempt any 4 questions  
2. All questions carry equal marks

- Q1.** What is the role and significance of the finance function in business, Explain the five decisions of corporate finance in your own words
- Q2.** What do you understand by a Financial system, Explain the main components of the financial system and the role, a financial system plays in the development of the economy
- Q3.** VST Corporation has sales of Rs 40 Lakh, variable cost is 70 % of sales and the fixed cost is Rs 8, 00,000. The firm has raised Rs 20 Lakh funds by issuing 10 % debentures, calculate operating, financial and combined leverages
- Q4.** The following is the profit and loss account and balance sheet of Daruwala company

**Trading and P & L A/c**

To opening stock	76,250	By sales	5,00,000
To purchases	3,22,250	By closing stock	98,500
To gross profit	2,00,000		
	5,98,500		5,98,500
To selling and distribution expenses	22,000	By Gross profit	2,00,000
To administrative expenses	98,000	By dividend recd	9000
To loss on sale of assets	2000	By profit on sale of shares	3000
To net profit	90,000		
	2,12,000		2,12,000

**Balance sheet**

Share capital	2,60,000	Land and Building	1,50,000
Reserves	70,000	Plant and Machinery	80,000
Profit and Loss Account	20,000	Stock	98,500
Current Liabilities	1,30,000	Debtors	61,500
		Bills receivable	60,000
		Bank	30,000
	4,80,000		4,80,000

### **Calculate the following ratios**

1. Gross Profit ratio, Net profit Ratio, operating profit ratio, Stock turnover ratio, Debtors turnover ratio.

**Q5.** X limited decided to undertake a project, the cost of which is Rs 52,00,000, The companies WACC is 12 %.The life of the project is 05 years and the scrap value associated with the project is Rs 5,00,000, after providing for depreciation on straight line basis, the profits after tax ( PAT) were estimated as under

Year 1- 3,00,000, year 2- 8,00,000, year 3- 13,00,000, year 4- 5,00,000 and year 5- 4,00,000

The discounting rates @ 12 % are as under

Year 1- 0.893, year 2- 0.797, year 3- 0.712, year 4- 0.636 and year 5- 0.567.

Should the project be accepted, advise using the NPV method.

**Q6.** While preparing a project report on behalf of a client, you have collected the following information. Estimate working capital required (for the level of activity of 52000 units) for the firm after adding 10 % as contingency.

- Raw materials- Rs 40 per unit
- Direct Labour- Rs 15 per unit
- Overheads - Rs 30 per unit
- Total cost – Rs 85 per unit
- Profit –Rs 30 per unit
- Selling price- Rs 115 per unit

### **The other details are as under**

1. Average raw material in stock – 01 month
2. Average materials in process ( 50 % completion stage) – 0.5 month
3. Average finished goods in stock – 01 month
4. Credit allowed by suppliers- 01 month
5. Credit allowed to customers- 02 months
6. Time lag in payment of wages- 1.5 weeks
7. Time lag in payment of overhead- 01 month
8. Half of the sales is on cash basis
9. Cash balance is expected to Rs 15000.