

**University of Pune**  
**Department of Management Sciences**  
**MBA-BT Semester II**  
**Semester End Exam April 2011**

**203- Basics of Finance**

**Question Paper: 60marks**

**Time: 3Hrs**

**Use of Calculator is allowed**

Q1. Answer Any Two Questions (2 X15 = 30)

- a. Explain the Factors influencing Working Capital.
- b. What are the different types of Leverages and explain their significance.
- c. Explain the role of finance executive.

Q2. Answer Any Two ( 2X 15 M =30 M)

**a.**

From the following Balance Sheets of ABC Ltd on 31st Dec 2007 and 2008 you are required to prepare

1. Working Capital Statement
2. A Funds Flow Statement.

Liabilities	2007	2008	Assets	2007	2008
Share Capital	2,00,000	2,00,000	Goodwill	24,000	24,000
Gen Reserve	28,000	36,000	Buildings	80,000	72,000
P&L A/c	32,000	26,000	Plant	74,000	72,000
Creditors	16,000	10,800	Investments	20,000	22,000
Bills Payables	2,400	1,600	Stock	60,000	46,800
Provision For Tax	32,000	36,000	Bills Receivables	4,000	6,400
Provision For Doubtful debts	800	1,200	Debtors	36,000	38,000
			Cash & Bank	13,200	30,400
<b>Total</b>	<b>3,11,200</b>	<b>3,11,600</b>	<b>Total</b>	<b>3,11,200</b>	<b>3,11,600</b>

Additional Information:

1. Depreciation on plant was Rs 8,000 and on building Rs 8,000
2. Provision for tax made during the year Rs 38,000
3. Interim Dividend paid during the year Rs16,000.

b. Leo Ltd 's level of activity is 3,00,000 units per annum. The cost structure is as follows:

	Cost per unit (Rs)
Raw Material cost	20
Labour	5
Overheads	15
Total cost	40
Profit	10
Selling Price	50

Raw materials are held in stock for 2 weeks.

Work in progress ( 50%) complete is equal to ½ months production.

Finished goods remain in the warehouse for a month.

Suppliers extend one months credit.

Debtors are allowed two months credit.

Minimum cash balance of Rs 20,000 is maintained

What is the net working Capital ?

c. A firm whose cost of capital is 10% is considering a two mutually exclusive projects Project X and Project Y the Details are as follows.

Year	Project X	Project Y
0	(15,00,000)	(15,00,000)
1.	1,00,000	6,50,000
2.	2,50,000	6,00,000
3.	3,50,000	6,00,000
4.	5,50,000	5,75,000
5.	7,50,000	5,25,000

Calculate 1. NPV @ 10%

2. Pay Back Period

3. Profitability Index.

Give your opinion as to which project is to be selected