

UNIVERSITY OF PUNE
DEPARTMENT OF MANAGEMENT SCIENCES
DIPLOMA IN INDUSTRIAL ADMINISTRATION AND SERVICES MANAGEMENT
Module III External Examination-2011
Financial Management

70 marks

Time: 3Hrs

Instructions : 1) All questions carry equal marks.
 2) Attempt any five questions.

- Q.1) Describe the nature and scope of Financial Management.
 Q.2) write short notes (any two)
 a. Operating cycle
 b. Bonus shares
 c. Internal rate of return
 Q.3) Define working capital management and state its significance.
 Q.4) from the following information you are required to estimate the net working capital.

	Cost per unit (Rs.)
Raw material	40
Direct labour	15
Overheads	30
Total	85

Additional information:

Selling price	Rs. 100 per unit
Output	60,000 units per annum
Raw material in stock	Average 1 months
Work in progress in stock (50 % complete for material, labour & overheads)	One and half month
Finished goods in stock	2 months
Credit allowed by suppliers	1 month
Credit allowed to debtors	2 month
Cash is expected to be Rs. 20,000. Assume that production will be done evenly throughout the year. All the sales are on credit basis.	

Q.5) X Ltd. has currently under examination a project which will yield the following returns over a period of time

Year	1	2	3	4	5
Gross YieldRs	80,000	80,000	90,000	90,000	75,000

Cost of machinery to be worked out to Rs. 2, 00,000 and the machine is to be depreciated at 20 % per annum. Income tax rate 50 %. If the cost of capital 10 % would you recommend accepting the project under
 a. internal rate of return
 b. net present value

Note: for IRR take the rate of 10 % and 14 %

Q. 6) From the Balance sheet of a company, given below compute.

- a. Working capital
- b. Current Ratio
- c. Acid test Ratio
- d. Debt equity
- e. Capital gearing Ratio

Balance Sheet as on 31.12.10			
Liabilities	Rs.	Assets	Rs.
Equity share capital	25,000	Fixed Asset	30,000
Preference share capital	15,000	Current Assets	
Reserves & surplus	10,000	Debtors	20,000
Debentures	8,000	Stock	10,000
Creditors	7,000	Cash	5,000
Total	65,000	Total	65,000

Q. 7) A) How ratios are classified? From following data compute the following ratios

- a. Gross profit ratio
- b. Net profit ratio

	Rs.
Sales	12,00,000
Less : cost of goods sold	8,00,000
Gross profit	4,00,000
Less expenses	2,20,000
Net profit	1,20,000

B) Compute payback period and average rate of return for the following machine.

Year	Profit after depreciation & taxes
1	10,000
2	20,000
3	30,000
4	40,000
5	50,000

Cost of machine Rs. 55,000. Scrap value Rs. 5,000