

**SVKM's NMIMS**  
**School of Distance Learning**

Programme: PGDBM/PGDFM

Academic Year: 2011-2012

Semester III

Subject: Financial Analysis & Management

Course New

Marks: 70

Date: 30.12.2011

Time: 3.00 p.m to 6.00 p.m

**Instructions:** Candidates should read carefully the instructions printed on the question paper and on the cover of the Answer Book, which is provided for their use.

**Q.1** Write short <sup>notes</sup> on any 2 out of the following 4: **(Marks: 10)**

- a) NPV
- b) Comparative Statement
- c) ROCE
- d) Operating activities

**Q.2** Attempt any 2 out of 5 **(Marks: 10)**

- a) What is capital budgeting?
- b) From the following figures relating to the working of the two companies for the year 2008, compare the efficiency of their debt collection departments if they grant a credit of 45 days (in the case of A limited) and 80 days (in the case of B limited) to their customers.

	<b>A Limited</b>	<b>B Limited</b>
Cash Sales	2, 00,000	5, 00,000
Credit Sales	7, 00,000	10, 00,000
Opening Debtors	1, 20,000	2, 80,000
Closing Debtors	80,000	1, 20,000

- c) What are the limitations of EOQ Model?
- d) Why working capital is financed partly by long-term and partly by short-term sources?
- e) Explain DuPont Analysis.

**Q.3 Attempt any 3 out of 5**

**(Marks: 30)**

a) Estimate working capital requirement for XYZ Ltd on the basis of following information:

Annual sales during the year: Rs 24,00,000
Raw Material constitutes 60% of sales
Operating Expenses constitutes 15% of sales
Profit constitutes 25% of sales
Average credit allowed to customers: 2.5 months
Average credit availed by the suppliers: 1.5 months
Raw Material holding period: 1 month
Processing Period or WIP: 2 months
Finished Goods holding period: 3 months
Bank Overdraft: Rs 10,00,000
15% safety margin is to be kept.

b) XYZ firm has been offered a cash management service by a bank for Rs 1,00,000 a year. It is estimated that such a service would not only eliminate 'excess' cash on deposits (Rs 8,00,000) but also reduce its administration and other costs to the tune of Rs 5,000 per month. Assuming the cost of capital of 15%, is it worthwhile for XYZ firm to engage the cash management service?

c) The summarized balance sheet of fast company as at 31st March 08 and 09 are given *on the next page :*

**Liabilities**

	2008	2009	Difference
Share Capital	4,50,000	4,50,000	0
General Reserves	3,00,000	3,10,000	10,000
P L account	56,000	68,000	12,000
Creditors	1,68,000	1,34,000	-34,000
Provision for Tax	75,000	10,000	-65,000
Mortgage Loan	0	2,70,000	2,70,000
	10,49,000	12,42,000	1,93,000

**Assets**

Fixed Assets	4,00,000	3,20,000	-80,000
Investments	50,000	60,000	10,000
Stock	2,40,000	2,10,000	-30,000
Debtors	2,10,000	4,55,000	2,45,000
Bank	1,49,000	1,97,000	48,000
	10,49,000	12,42,000	1,93,000

Additional information:

- Investment costing Rs 8,000 were sold in 2009 for Rs 8,500
- Provision for tax in 2009, was Rs 9,000
- During 09, part of fixed assets costing Rs 10,000 was sold for Rs 12,000 and profit was included in Profit and Loss account.
- Dividend paid during the year was Rs 40,000

Prepare a statement of sources and uses of cash.

d) What are the different cash management strategies? Explain in detail

e) KLM Ltd manufactures plastic lunch boxes in a moulding process. On an annual basis, KLM manufactures 1,000 plastic lunch boxes at a cost of Rs 4 per unit. The industry's differential costs of carrying the item in the finished goods inventory are 20 percent of the inventory value per year and the set-up costs per production run is Rs 200. What is the optimum production-run?

**Q.4 Answer in the following questions for the given case study**

**(Marks: 20)**

**(All questions are compulsory, 10 marks each)**

- Explain the importance of profits in Working Capital Management. Answer in the light of wealth maximization of shareholders concept.
- If the credit term is '1.5/25 net 50', find the implicit cost involved in trade credit. Also, explain how factoring helps firms in managing their accounts receivables.