

SVKM's NMIMS
NMIMS - GLOBAL ACCESS SCHOOL FOR CONTINUING EDUCATION

Programme: PGDBM/PGDFM

Examination: June 2015
Subject: Financial Analysis & Management

Semester: III
Course : New
Marks : 70
Time: 3.00 p.m. to 6.00 p.m.

Instructions:

1. Answer to each new question to be started on a fresh page.
2. Figures in bracket indicate full marks.

Q.1) Attempt any 2 out of 4

(Marks: 2X5=10)

- a) What is optimum capital structure? Why it is important?
- b) Differentiate between dynamic and static analysis.
- c) Elaborate any four performance ratios.
- d) Computation of Working Capital by using "Operating Cycle Approach"

Q.2) Write short notes on (2 out of 5)

(Marks: 2X5=10)

- a) Baumol Model
- b) Shareholders' Wealth Maximization (SWM)
- c) Explain the limitations of financial statement analysis.
- d) Explain DuPont analysis.
- e) Types of Marketable Securities

Q.3) Attempt any 3 out of 5

(Marks: 3X10=30)

- a) Find Return on Investment or Capital Employed for Dabur India Ltd, from the following information:

Balance Sheet

| Liabilities | Amount | Assets | Amount |
|--------------------------|-----------|------------------|-----------|
| Equity Share Capital | 20,00,000 | Net Fixed Assets | 23,00,000 |
| Preference Share Capital | 3,00,000 | Current Assets | 16,00,000 |
| Debentures | 2,00,000 | | |
| Current Liabilities | 10,00,000 | | |
| Profit of the year | 4,00,000 | | |
| | 39,00,000 | | 39,00,000 |

b) Following information is pertaining to AFCA Ltd. Estimate working capital needs.

| | |
|-----------------------------------|-------------------------|
| Budgeted sales: | Rs 52, 00,000 per annum |
| Cost per unit of sales: in Rupees | |
| Raw Materials: | 25 |
| Direct Labor: | 45 |
| Overheads: | 20 |
| Cost of Sales: Total above = | 90 |
| Profit: | 10 |
| Sales per unit: | 100 |

Assume:

1. Raw Material will be carried in stock for two weeks.
2. Finished Goods will be stocked for three weeks.
3. Work in Progress will take four weeks. Work in Progress will charge 100% for Raw Material and 50% for Labor and Overheads.
4. Suppliers will give four weeks credit.
5. Customers will demand seven weeks credit.

c) Molly Industries sells its products through widely dispersed distributors in Eastern India. It currently takes on an average 10 days for cash receipt cheques to become available to the firm from the day they are mailed. The firm is contemplating the institution of concentration banking to reduce this period. It is estimated that such a system would reduce the collection period of accounts receivables by 3 days. The daily cheque receipts currently average Rs 10,00,000. The concentration banking will charge Rs 1,75,000 annually and the cost of funds is 15 percent.

1. Advise Molly whether it should introduce concentration banking system.
2. Will your answer be different, if it is estimated that a lock-box system can reduce the collection time by 4 days and its annual cost would be Rs 2,00,000?

d) What are the major sources of cash inflow?

e) What are the limitations of EOQ Model?

Q.4) Attempt both the questions

(Marks: 2X10=20)

a) Mention the procedure of preparing cash flow statement by direct and indirect methods.

b) What are the different costs and benefits associated with accounts receivables? Give a brief account.
