

Dr Anil

JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT
TEST -2 EXAMINATION- 2016
B.Tech IV Semester (All Branches)

COURSE CODE: 10B11PD411
COURSE NAME: Financial Management
COURSE CREDITS: 03

MAX. MARKS: 25

MAX. TIME: 1.5 HR

Note: All questions are compulsory. Carrying of mobile phone during examinations will be treated as case of unfair means. Assume suitable data if required.

1. Short answer (50-100 words only) (2x3=6)
 - a). Why equity share holders are called as Residual Claimant?
 - b). Briefly discuss the Role of Finance Functions.
 - c). Differentiate between Income Statement and Position Statement.
2. Gross profit ratio for the company is 20% and value of gross profit is Rs. 60,000. Inventory turnover ratio is 6 times and opening stock is Rs. 8,000 less than the closing stock. Find out the value of purchases. Assume there are no direct expenses. (2)
3. You have been appointed as a financial analyst of a company Fresh Foods Limited, which specializes in the production of farm fresh products. Your assistant has provided you with the following data: (2x3=6)

Ratio	2015			2015
	2015	2014	2013	Industry Average
Long-term debt	0.45	0.40	0.35	0.35
Inventory Turnover	62.65	42.42	32.25	53.25
Depreciation/Total Assets	0.25	0.014	0.018	0.015
Days' sales in receivables	113	98	94	130.25
Debt to Equity	0.75	0.85	0.90	0.88
Profit Margin	0.082	0.07	0.06	0.075
Total Asset Turnover	0.54	0.65	0.70	0.40
Quick Ratio	1.028	1.03	1.029	1.031
Current Ratio	1.33	1.21	1.15	1.25
Times Interest Earned	0.9	4.375	4.45	4.65
Equity Multiplier	1.75	1.85	1.90	1.88

P.T.O.

- a). In the annual report to the shareholders, the CEO of the company wrote, "2013 was a good year for the firm with respect to our ability to meet our short-term obligations. We had higher liquidity largely due to an increase in highly liquid current assets (cash, account receivables and short-term marketable securities)." Is the CEO correct? Explain and use only relevant information in your analysis.
- b). What can you say about the firm's asset management? Be as complete as possible given the above information, but do not use any irrelevant information.
- c). You are asked to provide the shareholders with an assessment of the firm's solvency and leverage. Be as complete as possible given the above information, but do not use any irrelevant information.
4. You want to purchase a new sports bike which is costing Rs 3,50,000/-. You want to get it financed through SBI, but the bank is willing to finance only 85% of the cost and remaining you have to pay by yourself. You are planning to take loan only for one year. (1+3=4)
- a). Calculate the amount of EMI you need to pay to bank.
- b). Prepare loan amortization schedule.
(Assume rate of interest charged by the bank is 12% per annum).
5. Calculate the cost of capital of the following cases: (2+2=4)
- a). Quickdeal Ltd. paid dividend of Rs. 12/- two years back and this year market is expecting that the company will pay the dividend of Rs 15/- per share. If the market price of the share is Rs 360/-, what is the cost of equity?
- b). A firm want to issue 14% debenture having face value of Rs 200/-, at a premium of 12% on issue price, with a maturity of 8 years. The firm has to pay floatation cost of 5% on this issue. If corporate tax rate is 24%, calculate cost of debt.
6. Briefly discuss the CAPM approach of calculating cost of equity. (1.5)
7. Differentiate between the process of Compounding and Discounting. (1.5)