

9-12-16



DOON UNIVERSITY, DEHRADUN

Final Semester Examination, 2016

School of Management

IMBA Third Semester

Course: IMBA 303: Foundation of Financial Management

Time Allowed: 3 Hours

Maximum Marks: 50

SECTION: A (Short Answer Type Questions/ to be answered in about max 50 words).

Attempt all questions.

(Marks: 2 x5=10)

1. What is optimal capital structure?
2. What do you understand by indifference point?
3. What do you understand by time value of money?
4. Define corporate restructuring.
5. What are the determinants of dividend policy?

SECTION: B (Short Answer Type Questions to be answered in about 150 words).

Attempt all questions.

(Marks: 5 x4=20)

1. Describe the objectives of financial management.
2. Explain Walter's model of relevance of dividends.
3. What are the cash management strategies? Explain 5 C's of credit.
4. A project requires an investment of Rs. 10,000 and its estimated annual cash inflows are as follows:

Years	Annual Cash Inflows (Rs.)
1	2000
2	3000
3	4000
4	2000
5	3000
6	

Calculate its payback period.

SECTION: C (Medium Answer Type Questions to be answered in about 300 words).

Attempt any TWO questions.

(Marks: 10 x2=20)

1. The following data relates to a company:

	Rs.
Sales	200,000
Variable Cost	60,000
Fixed Cost	100,000

Interest Charges

5000

- a) Using the concept of operating leverage, by what percentage will EBIT increase if there is 8% increase in sales.
- b) Using the concept of financial leverage, by what percentage will EBT increase if there is 10% increase in EBIT.
- c) Using the concept of combined leverage, by what percentage will EBT increase if there is 6% increase in sales.

2. A cost sheet of a company provides the following particulars:

	Amount/unit (Rs.)
Raw Material	80
Direct Labour	30
Overheads	60
Total Cost	170
Profit	30
Selling price	200

Additional Information:

The average raw material and finished goods remains for 1 month.

Materials are in process, on average half a month.

Credit allowed by suppliers is 1 month. Credit allowed to debtors is two months.

Time lag in payment of wages is 1.5 weeks and Overheads 1 month.

$\frac{1}{4}$ th of the sales are on cash basis. Cash balance is expected to be Rs. 25000.

Prepare a statement showing working capital needed to finance a level of activity of 1,04,000 units of production. It may assume that production is carried on evenly throughout the year and wages and overheads accrue similarly.

3. A company issued 1,00,000, 10% preference shares of Rs. 1000 each. Cost of issue is Rs. 8/share. Calculate cost of preference capital, if these shares are issued: (1) at par (2) at 9% premium (3) at 12% discount.