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MB 116 A(R)

Third Semester M.B.A. Examination, July 2010
Elective – A : Finance
(Old Scheme) (Repeater)
Course – 16 A : FINANCIAL PLANNING

Time : 3 Hours Max. Marks : 75

Instruction** : Simple **Calculators** are **allowed.

SECTION – A

1. Answer **any five** sub-questions. **Each** question carries **2** marks : **(5×2=10)**
   a) What is EBIT – EPS Analysis ?
   b) Write a note on Global Depository Receipts.
   c) Mention any two guidelines of SEBI on Right issues.
   d) Mention any two evils of over-capitalisation.
   e) Name any two methods of making working capital forecasts.
   f) What do you understand by the term private placement ?
   g) What is trading on equity ?

SECTION – B

Answer **any four** questions. **Each** question carries **five** marks. **(4×5=20)**

2. Differentiate ‘Capitalisation’ and ‘capital structure’.
3. Distinguish between permanent and temporary working capital.
4. Write a short note on Merchant-Banking.
5. What is financial planning ? Explain the principles governing a sound financial plan.
6. What are Bonus shares ? How do they benefit the shareholders ?
7. Enumerate the functions of SEBI.

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SECTION – C

Answer **any three** questions. **Each** question carries **10** marks. **(3×10=30)**

8. Explain briefly the guidelines issued by SEBI regarding
   a) Euro Issues
   b) Merchant Bankers.

9. Write a note on the current trends in the Indian capital market.

10. What are the different sources of long term financing ? State briefly the merits of each source of long-term financing.

11. A manufacturing company is considering an investment proposal which requires Rs.80 lakhs. The company is having 5000 Eq shares outstanding. Price of each equity share is Rs.100/-. The company can mobalise the required amount by the following plans.
    a) 50% equity and 50% debentures @ 10%
    b) 100% equity and
    c) 100% debentures @ 8%

    Assume a tax rate of 40%. Calculate EPS. Expected EBIT after the expansion is Rs. 18,00,000/-.

12. The following is the capital structure of A Ltd.

	Rs.
Equity Share capital (Rs.10/- shares)	2,00,000
Share premium	3,00,000
Reserves and surplus	1,50,000
Total Net Worth =	**6,50,000**

The company issues bonus shares to its existing equity share holders in the ratio of 1 for every 10 at the market price of Rs.15/- per share.

You are required to show :

i) the new capitalisation of the company and

ii) earnings per share both before or after the bonus issue pressuming the net earnings of Rs. 22,000/-.

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SECTION – D (**Compulsory**)

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13. Estimate the net working capital required for the production of 1,04,000 units per annum from the following information.

	Rs.
Estimated cost per unit :	
Raw materials	80
Direct Labour	30
Overheads	60
Total cost	**170**

Overheads are exclusive of depreciation of Rs.10/- per unit.

Additional information :

i) Selling price per unit Rs. 200/-

ii) Raw materials in stock on an average 4 weeks.

iii) Work-in-progress on an average 2 weeks.

(Assume 50% completion stage in respect of concession costs and 100% completion in respect of materials)

iv) Finished goods in stock, average 4 weeks

v) Credit allowed by supplies, average 4 weeks

vi) Credit allowed to destors, average 8 weeks.

vii) Lag in payment of wages, average 1.5 weeks.

viii) Cash at bank is expected to be Rs. 25,000/-

All sales are on credit basis. Assume 52 weeks in a year. Add 10% to computed figure to allow contingenies.

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