

**B.VOC DEGREE EXAMINATION –APRIL 2022**  
**BANKING, FINANCIAL SERVICES AND INSURANCE**  
**FOURTH SEMESTER**

**COURSE : MAJOR – CORE**  
**PAPER : INTRODUCTION TO FINANCIAL MANAGEMENT**  
**TIME : 3 HOURS** **MAX. MARKS: 100**

**SECTION – A**

**Answer ALL questions:** **(10 x 2 = 20)**

1. State the importance of financial management.
2. State the reasons for time preference of money.
3. What is pay-back period?
4. Write a note on net working capital?
5. What is cash budget?
6. What will Rs 15000 amount to in 8 years @ 7.5% if compounded annually?
7. ABC chemical company is considering processing a chemical product for future commercial use Equipment cost Rs.12, 00,000 with an annual income of Rs.90, 000. Calculate the ARR on average investment method.
8. R ltd issued debentures of Rs 20 Lakh to be repaid after 5 years. How much should the company invest in a sinking fund earning 10% in order to be able to repay debentures?
9. Find out the present value of an investment which is expected to give a return of Rs.2, 500 p.a. indefinitely and the rate of interest is 12% p.a.
10. Arun is interested in doubling his investment of Rs. 25,000. How long will it take to double his investment if the rate of interest is 10%, using rule of 72.

**SECTION – B**

**Answer any FIVE questions:** **(5 x 4 = 20)**

11. Explain the objectives of financial management.
12. Write a note on a) permanent working capital b) temporary working capital.
13. ABC Ltd has borrowed Rs 10 lakhs to be repaid in equal instalments at the end of each of the next 5 years. The interest rate is 15%. Prepare an amortization schedule.
14. The expected cash inflows are as follows:

Year	1	2	3	4	5
Cash inflow(₹)	3,000	4,500	6,000	8,000	10,000

Discount rate is 16%. Find out present value of cash inflow.

15. Rahave Ltd. is producing articles mostly by manual labour and is considering to replace it by a new machine. These are two alternative models X and Y of the new machine. Prepare a statement of profitability showing the pay-back period from the following information:

Particulars	Model X	Model Y
Estimated life of machine	4 years	5 years
Cost of machine	Rs.1,80,000	Rs.3,60,000
Estimated savings in scrap	Rs.10,000	Rs.16,000
Estimated savings in direct wages	Rs.1,20,000	Rs.1,60,000
Additional cost of supervision	Rs.16,000	Rs.20,000
Additional cost of maintenance	Rs.24,000	Rs.36,000

16. A project cost Rs.25,000 and it generates cash inflow of Rs.9,000 ,Rs.8,000 Rs.7,000 Rs.6,000 , Rs.5,000 through a period of five years . The required rate of return is assumed to be 10%. Find out the NPV of the project.
17. Calculate the future value of the following series of payment at the end of 4 years. Rate of interest is 9%

P <sub>1</sub>	Rs.1,500 at the end of First Year
P <sub>2</sub>	Rs.3,000 at the end of Second Year
P <sub>3</sub>	Rs.4,500 at the end of Third Year
P <sub>4</sub>	Rs.6,000 at the end of Fourth Year

### SECTION – C

Answer any TWO questions:

(2 x 15 = 30)

18. Explain the factors determining the working capital requirement.
19. From the following information calculate the operating cycle.

Period covered 365days

Value of Average stock maintained:

	Rs.
Raw Material	1,24,000
Work in progress	72,000
Finished goods	1,22,000
Average of credit from suppliers 30 days	
Particulars	Amount (Rs)
Average Debtors	2,60,000
Raw material consumption	8,42,000
Total Production Cost	14,25,000
Total Cost of Sales	15,30,000
Credit Sales	19,50,000

20. From the following information , prepare a statement showing the working capital requirement:
- Output per annum = 39,000 units
  - 25% of the output is sold against cash

c) Analysis of cost of each unit :

	Rs.
Raw material	5
Direct labour	4
Overheads	3
Total cost	12
Profit	3
Selling price	15

- d) Raw materials are in stock on average for four weeks and finished products for three weeks.
- e) Factory procession will take on average two weeks
- f) Credit allowed to debtors – 4 weeks
- g) Credit allowed by suppliers – 3 weeks
- h) Lag in payment of labour – 2 weeks
- i) Lag in payment of overheads – 4 weeks
- j) Cash on hand is expected to be Rs.10,000

21. A company has undertaken a project. The project has a life of five years and the initial cash outlays of Rs.1,00,000. The company pays tax at 50% rate and the maximum required rate of the company is given as 10%. The straight line method of depreciation will be charged on the project. The project is expected to generate a profit as follows :

Year	Project X
1	60,000
2	30,000
3	20,000
4	50,000
5	50,000

With the help of the above given information you are required to calculate:

- (a) Pay-back period
- (b) Average rate of return
- (c) Net present value
- (d) Profitability Index

### SECTION-D

#### Application based Questions

(30 Marks)

22. A company is expecting to have Rs.2, 50,000 cash in hand on April 1<sup>st</sup> 2022, and it requires you to prepare an estimate of cash position during the three months, April – June 2022.

Month	Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)	Expenses (Rs)
February	7,00,000	4,00,000	80,000	60,000
March	8,00,000	5,00,000	80,000	70,000
April	9,20,000	5,20,000	90,000	70,000
May	10,00,000	6,00,000	1,00,000	80,000
June	12,00,000	5,00,000	1,20,000	90,000

Additional information:

- a) Period of credit allowed by suppliers is two months
- b) 25% sales is for cash and the period of credit allowed to consumers for credit sale is one month.
- c) Delay in payment of wages and expenses is one month
- d) Income tax Rs.2,50,000 is to be paid in June 2004

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