

**GUJARAT TECHNOLOGICAL UNIVERSITY****MAM - SEMESTER-V • EXAMINATION – SUMMER • 2015****Subject Code: 4150502****Date: 08-05-2015****Subject Name: Financial Management****Time: 10:30 am - 01:30 pm****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

- Q.1** (a) Define the scope of financial management. Explain the role of financial manager in an organization. **07**
- (b) What is meant by the term leverage? Explain in detail about financial leverage and operating leverage. **07**

- Q.2** (a) i. Write short note on factoring. **07**  
 ii. A company sells a new issue of 7 year, 15 percent bond of Rs100, each at Rs94. It will pay interest annually and repay bonds at par on maturity. What is the cost of bonds?
- (b) The initial cash outlay of a project is Rs1,00,000 and it can generate cash inflow of Rs. 40,000, Rs. 30,000, Rs. 50,000 and Rs. 20,000 in a year 1 through 4. Assume a 10% percent rate of discount. Calculate net present value and profitability index. **07**

**OR**

- (b) Define capital budgeting. Write a brief note on internal rate of return and payback period. **07**
- Q.3** (a) The following figures relate to the trading activities of Hind Traders Limited for year ended 30<sup>th</sup> March 2014. **07**

You are required to calculate the following ratio from the table (i). gross profit ratio (ii). operating ratio (iii). stock turnover ratio.

Table 25.2 Hind Traders Limited

Sales	1,500,000	Administrative Expenses	
Purchases	9,66,750	Salaries	81,000
Opening Stock	2,28,750	Rent	8,100
Closing Stock	2,95,500	Stationary, postage etc.	7,500
Sales Return	60,000	Depreciation	27,900
Selling Distribution Expenses		Other charges	49,500
Salaries	45,900	Provision for taxation	1,20,000
Advertising	14,100	Non-operating income	
Travelling	6,000	Dividend on shares	27,000
Non Operating Expenses		Profit on sale of shares	9,000
Loss on sale of assets	12,000		

- (b) Define the following (i). Debtor Ratio (ii). Asset Turnover Ratio (iii). Creditor Ratio **07**

**OR**

- Q.3** (a) Write Short Note on Hire Purchase Financing **07**  
 (b) Write a brief note on (i). Under Capitalizations (ii). Over Capitalization **07**
- Q.4** (a) What is a bonus share or stock dividend? What are its advantages and disadvantages **07**  
 (b) Write a note on Traditional Theory of Capital Structure **07**

**OR**

- Q.4** (a) Firm X has current assets of Rs. 500 lakh and current liabilities of Rs250 lakh. Firm Y has current assets of Rs. 700 lakh and current liabilities of Rs450 lakh. For both firms, calculate (i). Gross Working Capital (ii). Net Working Capital (iii). Current Ratio. **07**
- (b) Discuss the various sources of working capital finance **07**
- Q.5** (a) Write a short note on American Depository Receipt **07**
- (b) Write a short note on Credit Rating Agency **07**
- OR**
- Q.5** (a) Explain the nature of the factors which influence the dividend policy of a firm. **07**
- (b) Write short note on (i). Du Pont Analysis (ii). Leverage Lease. **07**

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