

V.P.M.'s K.G. Joshi College of Arts & N.G. Bedekar College of Commerce, Thane.
TYBMS - 5TH SEMESTER

PRELIMINARY EXAMINATION OCT - 2008

TIME : 11.00 a.m. to 1.00 p.m.

MARKS : 60

CODE : 513 - A

DATE : 11/10/2008

SUBJECT & PAPER : FIN. MGMT.

- Instruction :** 1] Section I is compulsory.
3] Attempt any 3 question out of 5 in Section II
2] Figures to the right indicate full marks.

Section - I

Q.1 Answer the following in brief :- 10

- a) What is meant by "Letter of Credit"?
- b) What is credit evaluation?
- c) What is the difference between "Gross working Capital" and "Net Working Capital"?
- d) What is meant by financial leverage?
- e) explain in brief the concept of Wealth Maximisation.

Q.2 The standard ratios for the industry and the ratios of Company 'Z' are given.
Give your comments on the performance and financial Management of the
Company Z. 10

	Industry standard	Actual of company z
i) Net Profit Ratio	3.3%	2.1%
ii) Current Ratio	2.4	2.67
iii) Liquid Ratio	1:1	2:1
iv) Proprietary Ratio	0.5:1	0.85:1
v) Debtors Turnover Ratio	90 days	60 days
vi) Gross Profit Ratio	25%	20%

Q.3 A firm has sales of Rs.150 lakhs, variable cost of Rs.84 lakhs and fixed cost of
Rs.12 lakhs. It has a debt of Rs.90 lakhs at 9% and equity of Rs.110 lakhs. 10

- a) What is the firm's ROI?
- b) Does it have favourable financial leverage?
- c) If the firm belongs to an industry whose asset turnover is 2, does it have a high or low asset leverage?
- d) What is the operating, financial and combined leverage of the firm?
- e) If the sales drop to Rs.125 lakhs, what will be the new EBIT?
- f) At what level the EBT of the firm will be equal to zero?

