IIHMR UNIVERSITY

School of Rural Management

MBA Rural Management
Batch-05th (2016-2018) First Year

Financial Management

Term Examination

Time - 3 Hour **MM-70**

The question paper contains 2 printed pages.

Q. 1. A company currently operating at 80% capacity has the following: (10 marks)

	Rs
Sales	3200000
Direct Material	1000000
Direct Labour	400000
Variable Overheads	200000
Fixed Overheads	650000

As export order has been received that would utilize half of the capacity of the factory. The order cannot be split i.e. it has either to be taken in full and executed @ 10% below the normal domestic price or reject totally.

What alternative will the management choose?

Q. 2. Answer any five of the following (20-30 words, please stick to word limit):

(2 marks each) (2 x 5=10 Marks)

1. Give the full form of IRR.
2. If IRR of a project is 25% and cost of capital is 18% the project will be ....
3. Give two differences between fixed and flexible budget
4. Give one example each of fixed cost, variable cost, and semi-variable cost
5. Purchase of raw material should be financed by ...., according to the principle of working capital management.
6. Debentures provide returns in terms of .... to the investor?
7. Give the full form of IPO.

Q. 3 A project's initial outlay is Rs. 15 Lacs. EBDIT is Rs.8 lacs a year for five years, rate of interest is Rs. 25500 per year, Depreciation is 10% on gross block of Rs. 222500 per year and tax rate is 20%. The company uses SLM method of depreciation. Find the net cash flow. The cost of capital is 10%. Find out the payback, discounted payback and NPV. (20 marks)

Q. 4 Prakash hospitals purchases a machinery for Rs. 10,00,000 with a down payment of Rs. 250,000 and the remainder in equal installments of Rs. 150,000 for six years. What is the cost of capital to the hospital? (10 marks)

Q. 5 Fixed Cost per unit - 10

Variable cost per unit – 5

Contribution margin - 2

Find profit if units sold are 20 % above breakeven sales of 10000 (10 marks)

Q. 4 Explain two sources each of long term and short term sources of finance (10 marks)