VPM's
DR VN BRIMS, Thane
Programme : MMS
Second Semester Examination April 2016

Subject	Financial Management		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	4	Date	19/04/2016

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.
Q1) 20 Marks (Compulsory)

TATA CONSULTANCY SERVICES LIMITED
Annual Report 2012-13

Consolidated Cash Flow Statement for the year ended March 31, 2013

(₹ crores)

		Note	2013	2012
I	**CASH FLOWS FROM OPERATING ACTIVITIES**			
	Profit before tax		**18089.73**	13923.31
	Adjustments for:			
	Depreciation and amortisation expense		**1079.92**	917.94
	Bad debts written off		**42.53**	44.19
	Provision / (write back of provision) of doubtful receivables (net)		**6.24**	(25.69)
	Provision for doubtful advances		**4.29**	7.42
	Advances written off / (written back) (net)		**2.82**	(1.05)
	Diminution in value of investments (net)		**(0.22)**	-
	Interest expense		**48.49**	22.23
	(Gain) / Loss on sale of fixed assets (net)		**(0.23)**	0.35
	Unrealised exchange loss (net)		**0.63**	428.46
	Exchange difference on translation of foreign currency cash and cash equivalents		**16.68**	(31.02)
	Dividend income		**(6.47)**	(6.41)
	Impairment of goodwill		**-**	21.18
	Interest income		**(1,039.74)**	(765.22)
	Profit on redemption of mutual funds and sale of other current investments (net)		**(41.36)**	(31.76)
	Operating profit before working capital changes		**18203.31**	14503.93
	Inventories		**(3.38)**	5.05
	Unbilled revenue		**(912.21)**	(898.91)
	Trade receivables		**(2603.68)**	(3342.83)
	Loans and advances and other assets		**(578.07)**	(561.46)
	Trade payables, other liabilities and provisions		**2330.80**	1339.79
	Cash generated from operations		**16436.77**	11045.57
	Taxes paid		**(4821.81)**	(4068.40)
	Net cash provided by operating activities		**11614.96**	6977.17
II	**CASH FLOWS FROM INVESTING ACTIVITIES**			
	Purchase of fixed assets		**(2637.84)**	(2007.07)
	Proceeds from sale of fixed assets		**5.26**	19.71
	Acquisition of subsidiaries net of cash of ₹ 1.30 crores (March 31, 2012: Nil)		**(162.62)**	-
	Purchase of shares from minority shareholders		**-**	(229.16)
	Advance towards investment		**-**	(0.20)
	Purchase of mutual funds and other investments		**(28738.50)**	(16937.99)
	Redemption of mutual funds and sale of other investments		**28218.41**	17385.23
	Inter-corporate deposits placed		**(3599.12)**	(1676.21)
	Inter-corporate deposits matured		**847.75**	992.80
	Fixed deposit placed with banks having original maturity over three months		**(4721.00)**	(4251.63)
	Fixed deposit with banks matured having original maturity over three months		**3896.73**	3551.35
	Dividends received		**6.47**	6.41
	Interest received		**798.80**	419.31
	Net cash used in investing activities		**(6085.66)**	(2727.45)

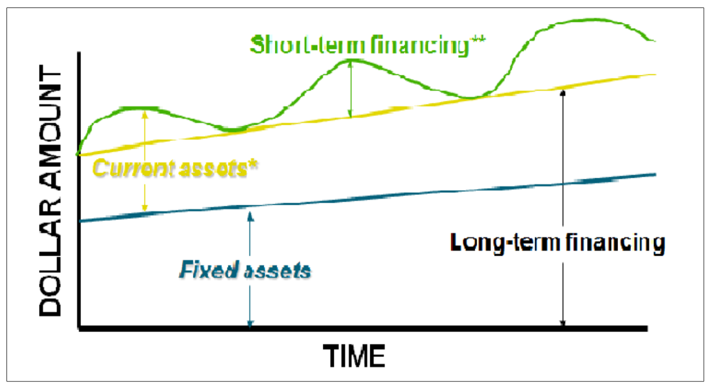
Consolidated Cash Flow Statement for the year ended March 31, 2013 (Contd.)

(₹ crores)

		Note	2013	2012
III	CASH FLOWS FROM FINANCING ACTIVITIES			
	Proceeds from issue of long-term borrowings		2.12	-
	Repayment of long-term borrowings		(3.38)	(1.25)
	Short-term borrowings (net)		79.84	(32.90)
	Dividend paid, including dividend tax		(5703.16)	(3879.81)
	Dividend tax on dividend paid by subsidiaries		(12.48)	(11.35)
	Dividend paid to minority shareholders of subsidiaries		(21.47)	(17.12)
	Proceeds from issue of shares to minority shareholders		-	9.71
	Interest paid		(47.95)	(22.37)
	Repayment of inter-corporate deposits		(23.00)	-
	Net cash used in financing activities		**(5729.48)**	(3955.09)
	Net (decrease) / increase in cash and cash equivalents		**(200.18)**	294.63
	Cash and cash equivalents at the beginning of the year		1993.49	1548.59
	Exchange difference on translation of foreign currency cash and cash equivalents		48.05	150.27
	Cash and cash equivalents at the end of the year	20	**1841.36**	1993.49
	Earmarked balances with banks		16.34	15.77
	Short-term bank deposits		4911.46	3803.82
	Cash and Bank balances at the end of the year	20	**6769.16**	5813.08
IV	NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS	1-50		

A) Analyse the given cash flow statement of TCS company for year 2012 and 2013

B) From the diagram below find out the type of working capital management strategy implemented in business organization ? explain the strategy in detail .



Q2) *Any one from (a) or (b)) ———— (10x1) = 10 Marks*

A) What is financial system? Explain the structure of financial system in India

B) An investment project costs Rs1,00,000/-initially. It is expected to generate cash flows as follows:

Year	Cash inflows
1	50,000
2	40000
3	30,000
4	20,000

Year	Disc factor @ 10%
1	0.91
2	0.83
3	0.75
4	0.68

What is net present value of project assuming a 10% risk free rate ? Should the project be accepted ?

Q3) *Any one from (a) or (b) ———— (10x1) = 10 Marks*

A) Explain concept of working capital . What is its importance in business.
Can companies manage the business with negative working capital.
What are various steps can be taken by companies for managing its business with

negative working capital

B) The operating income of Hypothetical Ltd. amounts to Rs 186000. It pays 35% on its income. Its capital structure consists of following

14% Debentures	5, 00,000
15% preference shares	1,00,000
Equity shares (Rs 100 each)	4,00,000

Determine the firms EPS

Determine the percentage change in EPS associated with 30% change(both increase and decrease) in EBIT

Determine the degree of financial leverage at the current level of EBIT

Q4) ***Any one from (a) or (b)) ————— (10x1) = 10 Marks***

A) Explain norms of BASEL I with its limitations and elaborate how these are different from BASEL II.

B) calculate Operating leverage ,Financial leverage ,Combined Leverage from the following data under situation I and II and Financial plan A and B

Installed Capacity –4800 Units

Actual Production and sales ---75% of the capacity

Selling Price—Rs 30/ per unit , Variable cost – Rs 15/- per unit

Fixed cost

Under Situation I------- Rs 25,000/- Under stuation II-------- Rs 30,000/-

Capital structure	Financial Plan	
	A (Rs)	B(Rs)
Equity	1,00,000	1,50,000
Debt @15%	1,00,000	50,000
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	2,00,000	2,00,000

Q5) ***Any one from (a) or (b)) ————— (10x1) = 10 Marks***

A) X ltd is currently under evaluation of project which will yield the following returns over a period of time

Year	Gross yield Rs
1	80,000
2	80,000
3	90,000
4	90,000
5	75,000

Year	10%	14%
1	0.91	0.88
2	0.83	0.77
3	0.75	0.67
4	0.68	0.59
5	0.62	0.52

Cost of machinery to be installed amounts to Rs 2,00,000 and the machine is to be depreciated at 20% p.a.at WDV .Income tax rate is 30%.If the average cost of raising capital is 10%would you recommend accepting the project under the IRR Method.

Present Value of money is as above:

B)Explain various models of dividend and difference between Walters and Gordons theory of dividend

Q6) ***Any one from (a) or (b)) ————— (10x1) = 10 Marks***

A) What is the present value of Rs.10,00,000 which you would get at the end of 10 years, given the average inflation in the interim is say 8% per annum, in the following cases ? Annual Compounding, Semi Annual Compounding ,Quarterly Compounding.

B) Write short notes on : A)Modigliani and Millers irrelevance theory of dividend

b)Net present value method and internal rate of return.

Q7) ***Any one from (a) or (b) ————— (10x1) = 10 Marks***

A) Choose the right answer with your reasoning.

highly leveraged firm is ____ risky than its piers.

a) Less
b) More
c) Same

An advantage of debt financing is ___

a) Lowers the cost of capital.
b) Increases the cost of capital.
c) Dilutes owners earnings.

If interest expenses for a firm rise, we know that the firm has taken on more ____

a) Financial leverage
b) Operating leverage
c) Combined leverage

An advantage of debt financing is ____

a) Interest payments are tax deductible
b) Lowers the cost of capital
c) All the above.

When establishing optimal capital structure, firms showed strive to _____

a) Minimize the weighted average cost of capital.
b) Minimize amount of debt financing.
c) Maximize marginal cost of capital.

B)Z limited was started a year ago with paid up equity capital of Rs 20,00,000. The other details are as follows

Earnings of the company	Rs.200,000
Dividend paid	Rs 160,000
Price earning ratio	12.5 times
No of shares	200000
Cost of capital	8%

You are required to find out whether the company’s dividend payout ratio is optimal using Walter's model.