

AG-126

April-2015

B.B.A., Sem.-VI**CC-314 : (1) Adv. Financial Management****Time : 3 Hours]****[Max. Marks : 70**

1. (A) The Jubilee Hostel of Delhi University (JHDU) has residence strength of 300 students. In addition to other basic amenities, the JHDU provides hot water during the 3 months in the winter season : November to January. It has two boilers which operate alternatively in the mornings and evenings which use kerosene oil as energy source.

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The operational duration of one boiler in the mornings and evenings for the months of November and January is 3 and 2 hours respectively. Due to winter vacation in December, some students go home. The operational duration of the boilers is 1.5 hours in the morning and evening. The average quantity of fuel used is 10 ltrs. per hour. The cost of the fuel is ₹ 15/ltr.

One worker operates the boiler in the mornings and evenings. The daily labour cost is ₹ 100. The total maintenance cost amount to ₹ 4,000.

In keeping with the trend to utilize non-conventional energy sources, the JHDU wishes to set up solar heaters to convert solar energy to heat energy. The operating and financial parameters of the proposal have been worked out as detailed under :

- Solar Heaters required, 10 @ ₹ 15,000 each.
- Per Heater installation cost, ₹ 2,000.
- Annual total Maintenance cost, ₹ 3,000
- Salvage value of existing boilers, ₹ 3,000
- Useful life, 10 years with no salvage value

Is the proposal financially viable if the required rate of return is 12%. Depreciation is not taken into account as there is no tax advantage as University does not pay taxes.

OR

- (A) A small textile company currently expects its after tax profits (EAT) for the next years to be as follows :

Year	1	2	3	4	5
EAT	₹ 34,000	₹ 28,000	₹ 60,000	₹ 40,000	₹ 50,000

The company is considering replacing an existing machine with a new one, costing ₹ 27,000. The new machine would cost ₹ 3,000 to install and would be depreciated at 25% on w.d.v. basis over 5 years after which it is expected to have zero salvage value. The existing machinery was purchased for ₹ 12,000, 3 years ago and is being depreciated by WDV method @ 25% over an 8 year period. It can be sold for ₹ 5,000 currently with ₹ 1,000 removal cost.

If the expected after tax profits, after the acquisition of the new machine are as given below. The firm is taxed at 35%, what is the decision of the company :

Year	1	2	3	4	5
EAT	40,000	28,000	65,000	50,000	55,000

Also rate of cost of capital is 15%.

- (B) Batch and Company Ltd. is producing product A and is presently commanding a market share of 15%. The cost and profit margin for one unit of product A; is as under :

Sale Price		₹ 100
Variable costs :		
Material	₹ 40	
Labour	₹ 20	
Overhead	₹ 10	₹ 70
Contribution		₹ 30
Less fixed cost		₹ 20
Profit		₹ 10

The sale of the product is 15,000 units at 15% market share in the current year.

It has now been estimated that the market share can be increased upto 25% from next year if the following promotional expenses are incurred in the previous year :

	₹
For year 1	1,00,000
2	75,000
3	50,000

There will also be an increase in fixed cost by ₹ 30,000, if production has to be increased from present level. The company wants to achieve a 15% return and would apply DCF rate.

You are required to find out the effect when

- Market share is increased to 25%
- Market share is increased to 20%
- Market share is increased to 19%

and also recommend action to be taken by the company. Ignore taxes.

OR

- (B) Better Judgement Ltd. manufacture a machine that is not fully depreciated for tax purposes. The machine has a current book value of ₹ 1,50,000 and has remaining useful life of 5 years. The cash cost of the product per unit are as follows (at the level of production and sales of 20,000 units) :

Variable costs	₹ 140
Fixed costs	₹ 60
	200

The company is thinking of replacing the existing machine. The new machine would cost ₹ 10,00,000. The projected cash cost associated with new machines are :

Variable costs	₹ 110
Fixed costs	₹ 50
	160

The existing machine can be sold now at ₹ 1,00,000 in the open market. The new machine has expected useful life of 5 years. The company follows wdv method of depreciation. Both the machines are subject to 25% depreciation. There is no other asset in this block. The new machine is expected to have salvage value of ₹ 100000 at the end of the fifth year.

Assume the demand of the product will stay at 20,000 units in the future years, corporate tax rate of 35% and cost of capital of 12%. Should the new equipment be purchased ? State your assumptions, if any.

2. (A) From the following projections of XYZ Ltd. for the next year, you are required to workout the working capital (WC) required by the company. 7

	₹
Annual Sales	14,40,000
Cost of production including depreciation	12,00,000
	₹ 1,20,000
Raw material purchases	7,05,000
Monthly expenses	30,000
Anticipated opening stock of RM	1,40,000
Anticipated closing stock of RM	1,25,000
Inventory Norms	
Raw Material (month)	2
WIP (days)	15
Finished goods (month)	1

The firm enjoys a credit of 15 days on its purchases, and allows 1 month's credit on its supplies. The company has received an advance of ₹ 15,000 on sales orders.

You may assume that production is carried on evenly throughout the year and the minimum cash balance desired to be maintained is ₹ 10,000.

OR

- (A) A newly formed company, N Ltd. has applied for a short term loan to a commercial bank for financing its working capital requirements. You are requested by the bank to prepare an estimate of the requirements of the WC for that company. Add 10% to your estimated figure to cover unforeseen contingencies. The information about the projected P & L a/c. of the Co. is as under :

	₹	₹
Sales		21,00,000
Less : Cost of goods sold		<u>15,30,000</u>
Gross profit		5,70,000
Less : Administrative expenses	1,40,000	
Selling expenses	<u>1,30,000</u>	<u>2,70,000</u>
Profit before tax		3,00,000
Provision of tax		1,00,000
Cost of goods sold has been derived as follows :		
Material used		8,40,000
Plus wages & mfg. expenses	6,25,000	
Depreciation	<u>2,35,000</u>	<u>8,60,000</u>
		17,00,000
Less stock of finished goods produced not yet sold (10%)		1,70,000
		<u>15,30,000</u>

The figures given above relate only to the goods that have been finished and not those in process; goods equal to 15% of the year's production (in terms of physical units) are in process, requiring on an average, full materials but only 40% of the other expenses. The company believes in keeping 2 months' consumption of material in stock.

Minimum desired cash balance is ₹ 40,000.

All expenses are paid 1 month in arrears, suppliers of material extend 1 ½ month's credit; sales are at 20% cash and the rest at 2 month's credit; 70% of the income tax has to be paid in advance in quarterly instalments. You can make other such assumptions as you deem necessary for WC requirements.

- (B) While preparing a Project Report on behalf of a client you have collected the following facts. Estimate the net working capital (NWC) required for the project. Add 10% to your computed figure to allow for contingencies :

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	₹
Estimated cost per unit of production	
Raw material	80
Direct labour	30
Overheads (including ₹ 5 depreciation)	65
Total	175

Additional information :

Selling price, ₹ 200 per unit.

Level of activity, 104000 units of production per annum.

Raw material in stock, average 4 weeks.

Work in progress (assume full unit of RM required in the beginning of manufacturing; other conversion costs are 50%), average 2 weeks.

Finished goods in stock, average 4 weeks.

Credit allowed by suppliers, average 4 weeks.

Credit allowed to debtors, average 8 weeks.

Lag in payment of wages, average 1.5 weeks.

Cash in bank (desired to be maintained), ₹ 25,000.

You may assume that the production is carried on evenly throughout the year (52 weeks) and wages or overheads accrue similarly. All sales are on credit basis only.

OR

- (B) The Board of Directors of Nanak Engineering Company Private Ltd. requests you to prepare a statement showing the working capital requirements for a level of activity at 1,56,000 units of production. The following information is available for your calculation :

	Per Unit ₹
Raw materials	90
Direct labour	40
Overheads	75
Total	205
Profit	60
Selling Price	265

- (i) Raw materials are in stock, on average for 1 month.
- (ii) Materials are in process (50% complete) on average for 4 weeks.
- (iii) Finished goods are in stock on average for 1 month.
- (iv) Credit allowed by suppliers is 1 month.
- (v) Time lag in payment from debtors is 2 months.
- (vi) Average lag in payment of wages is 1.5 weeks.
- (vii) Average lag in payment of overheads is 1 month.
- (viii) 20% of the output is sold against cash. Desired minimum cash in hand and in Bank, ₹ 60,000. It is to be assumed that production is carried on evenly throughout the year; wages and overheads accrue similarly, and a time period of 4 weeks is equivalent to a month.

3. (A) Discuss the NI approach in detail. 7

OR

Explain the NOI approach in detail.

(B) Explain the traditional approach in detail. 7

OR

Explain the factors affecting capital structure of a company.

4. (A) Explain the concept of Corporate Restructuring & the Reasons for it. 7

OR

Explain the concepts of Strategic alliance, Equity carve out, Franchising, Reverse merger and demerger in brief.

(B) Write a short note on Financial Restructuring. 7

OR

Write a short note on Management BuyIn, Management Buyout, Leveraged Buyout.

5. Answer all :

14

- (1) The total of Current Assets is known as _____ working capital. (Gross/Net)
- (2) In financial terms the excess of _____ over _____ is known as working capital.
- (3) The capital required to finance the day to day activities is _____.
- (4) A company would require more working capital if the operating cycle is very long (True/False)
- (5) The depreciation needs to be _____ if it is included in the overheads while estimating the working capital. (added/deducted)
- (6) The making up of capitalization through various sources of finance is known as _____.
- (7) _____ suggested the Net Income approach.
- (8) Traditional approach is the _____ approach. (positive/negative/intermediate)
- (9) Debt is the cheapest source of financing. (True/False)
- (10) Depreciation is not a non-cash expense. (True/False)
- (11) Risk and Return has a direct proportionate relationship. (T/F)
- (12) The term merger and acquisition refers to the same type of situation. (T/F)
- (13) Mutually exclusive projects compete with each other. (T/F)
- (14) Full form of EVA is _____.

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B.B.A., Sem.-VI

CC-314 : (2) Advanced Marketing Management

Time : 3 Hours]

[Max. Marks : 70

1. (a) Explain the business buying process with a suitable example. 7

OR

Discuss the characteristics of customers in business markets.

- (b) "Business markets and consumer markets are different". Discuss. 7

OR

Explain the factors affecting business buying behaviour.

2. (a) Discuss the various methods of setting an advertising budget with pros and cons of each method. 7

OR

Write a detailed note on "Message decisions in Advertising".

- (b) Discuss the various media decisions in Advertising. 7

OR

Explain the various advertising objectives.

3. (a) Explain the 4Ps of Rural marketing mix. 7

OR

Discuss the reasons for boom of Rural markets in India.

- (b) Discuss the characteristics of rural marketing. 7

OR

Explain the challenges of rural marketing in the Indian context.

4. (a) 'Customer Relationship Management has immense benefits to success of an organisation.' Discuss. 7

OR

Explain, how customer centric marketing and process will help a business in CRM.

- (b) Explain the roadmap for CRM implementation. 7

OR

"Building organizational capabilities through internal marketing is very important for successful CRM." Comment.

5. Fill gaps/Do as directed : 14

- (1) List the three primary objecting of business supplier.
- (2) Measuring advertising effectiveness includes _____ and _____ of advertisements. (pre-testing, post testing/ strong testing, weak testing)
- (3) Two theories for impact of advertising are _____ and _____ .
(strong, weak / positive, negative)
- (4) Rural marketing is important as it leads to _____ , _____ and _____ .
(Development of agro based industries / rigidity / low living standards / price stability / employment generation / backwardness)
- (5) Reasons for growth of CRM include _____ , _____ , _____ and _____ .
(Advances in technology / Role of Government in Business / Intense competition / Short term flows / mass communication / growing importance of service sector / Balanced industrial growth / Adoption of Total Quality Management Programs).
- _____

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April-2015

B.B.A., Sem.-VI

CC-314 : (3) Advanced Human Resource Management-II

Time : 3 Hours]

[Max. Marks : 70

- Instructions :** (1) Attempt **all five** questions.
(2) Figures to the right indicate maximum marks.

1. (a) At the workplace, what kinds of actions can be called indiscipline or misconduct ? 7

OR

Elaborate upon the statutory provisions in India, concerning discipline.

- (b) Elaborate upon the essentials of a good disciplinary system. 7

OR

Explain a disciplinary procedure that can be adopted by an establishment.

2. (a) Explain the process of Training and Development. 7

OR

Write notes on :

(i) Training for leadership skills

(ii) Orientation Training

- (b) Differentiate between 'Defender' and 'Prospector' strategies with emphasis on the training requirements under each strategy. 7

OR

Explain, in detail, the process of Talent Management.

3. (a) Define 'Career Planning'. Discuss the various career planning methods available to organizations and objectives of each method. 7

OR

Who are 'Mentors' ? Explain the roles and functions of mentors.

- (b) Bring out the individual and organizational benefits of mentoring. 7

OR

Describe the possible negative experiences of mentoring.

4. (a) Bring out the difference between IHRM and HRM. 7

OR

Discuss the reasons for the increasing importance of IHRM.

- (b) Explain any **three** elements of an innovation system. 7

OR

Discuss the role of HRM in managing cultural change.

5. (a) Do as directed : 14

(1) By and large, discipline is seen as a punishment-oriented approach. (T/F)

(2) State any **one** objective of discipline in an organizational set up.

(3) For disciplinary matters, how an employee behaves at his place of work is the only behaviour considered. (T/F)

(4) Cross training equips employees with a variety of skills. (T/F)

(5) _____ involves training for generating awareness about the diverse workforce.

(a) Team Training

(b) Training for leadership skills

(c) Diversity training

(d) Training for global assignments

(6) Methods directed at non-managerial employees are called _____. (Training / Development)

(7) Reduced productivity and poor job performance can be considered as indicators of training need. (T/F)

(8) Group discussions and Role plays are _____ type of training methods. (team / individual)

(9) Name any **two (02)** roles of a Mentor in a corporate set up. (02 marks)

(10) An organization can have a _____ and/or informal mentoring programme.

(11) State any **three (03)** factors influencing an expatriate's performance. (03 marks)

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