MASTER OF BUSINESS ADMINISTRATION FINANCIAL MARKETS (MBAFM)

00840

Term-End Examination

June, 2013

MCT-078 : FINANCIAL MODELLING

Time : 3 hours   *Maximum Marks : 100*

SECTION – A

(All questions are compulsory)

1. The following are the two proposals with cost of capital being 7.00%. Please calculate using IRR, NPV and Discounted Pay Back period whether we should accept System A or System B with reasons : **30**

Cash Flow - System A   Cash Flow - System B

Year	Cash Flow Rs.	Year	Cash Flow Rs.
0	– 6,00,000	0	– 6,00,000
1	+ 75,000	1	+ 25,000
2	+ 1,00,000	2	+ 75,000
3	+ 150,000	3	+ 85,000
4	+ 200,000	4	+ 100,000
5	+ 210,000	5	+ 150,000
6	+ 150,000	6	+ 450,000
Total	285,000	Total	2,85,000

2.	Financial information for Horizon Ltd.	15

Profit and Loss Account Data (in Lakhs)

Sales	800

Cost of Goods Sold	720

Balance Sheet Data	Beg.of 200X	End of 200X
Inventory	96	102
A/C Receivable	86	90
A/C Payable	56	60

Find the Operating and Cash Cycle for Horizon Ltd.

3.	Apex Ltd. classifies its customers into five risk	10
categories, 1 through 5. Presently, Apex extends
unlimited credit to customers in category 1
through 3, limited credit to customers in category
4 and no credit to customers in category 5. Due
to this policy, the company is foregoing sales of
Rs. 3 MM to customers in category 4 and
Rs. 6 MM to customers in category 5. Apex is
considering the adoption of a more liberal policy
under which customers in category 4 would be
extended unlimited credit and customers in

category 5 would be extended limited credit. Such relaxation would increase sales by Rs. 9 MM on which bad debt losses would be 10%. The contribution margin ratio for Apex is 20%. The average collection period is 50 days and the post-tax cost of funds is 12%. The tax rate for Apex is 40%. What is the effect of relaxing the credit policy on residual income ?

4. Prepare a loan repayment schedule for your financial model with following data : **15**

Loan	92000000
Rate of interest	10.00%
Repayment	48 months

Please prepare a schedule from April 13 to March 2017, assuming first repayment at the beginning of the loan.

SECTION - B

(Attempt any three)

5. Attempt *any three* :   10x3=30

   (a) Explain factors affecting Working Capital.

   (b) Define WACC with example.

   (c) What terminal growth you would take for Infosys, along with the probable reasons for the same terminal growth rate ?

   (d) Explain cash cycle and operation cycle.

   (e) Parameters to consider before selecting comparable companies.

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