LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.Sc. DEGREE EXAMINATION – **MEDICAL SOCIOLOGY.**

SECOND SEMESTER – APRIL 2010

SO 2805 - HOSPITAL FINANCIAL MANAGEMENT

Date & Time: 27/04/2010 / 9:00 - 12:00 Dept. No. Max. : 100 Marks

SECTION: A

Answer All Questions in 30 words each **10 x 2 = 20**

1) What do you understand by Financial Management?
2) List out the functions of a Finance Manager.
3) What are the ways in which working capital can be classified?
4) What is meant by Leverage?
5) What is Capital Expenditure Budget?
6) A project costs Rs.40, 00,000 and yields annually a profit of Rs.6, 00,000 after Depreciation @12.5% but before tax at 50%. Calculate the payback period.
7) Define: Cost of Capital.
8) What is Payback Period?
9) Write a short note on Operating Leverage.
10) What is meant by Capital Structure?

SECTION – B

Answer any Five only. **5 x 8 = 40**

11) What do you mean by Optimum Capital Structure? Make a list of factors determining Optimum Capital Structure.

12) Using the information given below, compute the Pay-Back Period under (a) Traditional Payback Method, and (b) Discounted Payback Method and Comment on the results.

Initial Outlay		Rs.80, 000
Estimated Life		5 Years
Profit after Tax:		
End of Year	1	Rs.6, 000
	2	14,000
	3	24,000
	4	16,000
	5	Nil

Depreciation has been calculated under straight-line method. The cost of capital may be taken at 20% p.a and the P.V of Rs.1 at 20% p.a is given below:

Year:	1	2	3	4	5
P.V factor	.83	.69	.58	.48	.40

13) Summarized below are the Income and Expenditure forecasts for the months of March to July 2007.

Month	Sales.(Rs.)	Purchases.(Rs.)	Wages.(Rs.)
March	60,000	36,000	9,000
April	62,000	38,000	8,000

May	64,000	33,000	10,000
June	58,000	39,000	8,500
July	56,000	39,000	9,500

Prepare cash budgets for 3 months starting from 1st May 2007.

i) Cash balance on 1st May 2007 Rs.8,000
ii) Advance tax Rs.8,000 payable in March and June each.
iii) Credit allowed by suppliers is 2 months and allowed to customer 1 month.
iv) Lag in payment of wages is one month.

14) A firm sells its only product at Rs.10 per unit. Its variable cost ratio is 70% of sales while fixed costs are Rs.1000. Present Sales are 1000 units. You are required to calculate:
A) Degree of Operating Leverage.
B) EBIT of Sales falls by 40%.

15) Bring out the importance of Capital Budgeting.
16) What are the merits and limitations of the Net Present Value Method?
17) Optimistic Ltd has an EPS of Rs.90 per share. Its dividend payout ratio is 40%. Its earnings and dividends are expected to grow at 5% per annum. Find out the cost of equity capital if its market price is Rs.360 per share.

SECTION – C

Answer any two only: **2 x 20 = 40**

18) "The operative objective of Financial Management is to maximize wealth of the firm" Discuss.
19) Limited company is considering investment in a project requiring a capital outlay of Rs.2, 00,000. Forecast for annual income after depreciation but before tax is as follows:

Year:	1	2	3	4	5
Annual Income:	100000	100000	80000	80000	40000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income. You are required to evaluate the project according to each of the following methods.
1) Pay Back Method
2) Rate of Return on average investment method.
3) Discounted cash flow method taking cost of capital as 10%.

20) What is Working Capital? Explain various determinants of working capital of a Concern.
21) The capital structure of All Good Ltd is as follows:
Equity Capital Rs.5,00,000
Reserves and Surplus Rs.2,00,000
Debentures Rs.3,00,000.

The Cost of Capital before tax are: a) Equity 18%; b) Debentures – 10%.
You are required to compute the weighted average cost of capital

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