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|---|---|---|---|
| **Program:** | **S.Y.B.Com (MS)** | **Semester:** **IV** | **Program Code:** **UGMS02** |
| **Course:** | **Financial Management** | | **Course Code:** **NUMS405** |

**Duration:** **2 Hour** **Examination Pattern:** **NEP Autonomous External** **Max. Marks:** **60**

**Instructions:**

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Draw neat diagrams wherever necessary.

**Examination:**

**REGULAR**

| Q.1 | (a) | Fill in the blanks with an appropriate answer from the alternatives given (Any 8). | | | | [08] | Course Outcome | Knowledge Level |
|---|---|---|---|---|---|---|---|---|
| | | i. | Operating Leverage= _____ | | | | | |
| | | | a. | Contribution/Sales | b. EBIT/EBT | | | |
| | | | c. | Contribution/EBIT | d. EBIT/Contribution | | | |
| | | ii. | Present Value = _____x _____. | | | | | |
| | | | a. | FV x CF | b. CF x DF | | | |
| | | | c. | FV x DF | d. None of the above | | CO1,CO2 CO3,CO4 | L1 |
| | | iii. | GDR means _____ | | | | | |
| | | | a. | None of the above | b. Global Depository Receipt | | | |
| | | | c. | Global Depression Recession | d. German Depository Receipt | | | |
| | | iv. | As per rule of 72, if the interest rate is 10% the doubling period will be _____ | | | | | |
| | | | a. | 720 months | b. 72 years | | | |
| | | | c. | 7.2 years | d. 10 years | | | |
| | | v. | Net profit before tax is Rs.62,500 and tax rate is 40%, then Net profit after tax will be ___ | | | | | |
| | | | a. | Rs.50,000 | b. Rs.37,000 | | | |
| | | | c. | Rs.40,000 | d. Rs.37,500 | | | |
| | | vi. | FDI means _____ | | | | | |
| | | | a. | Financing Deficit Investment | b. Foreign Direct Investment | | | |
| | | | c. | Foreign Deposit Inward | d. Fixed Deposit Interest | | | |
| | | vii. | ____ are the creditors of company. | | | | | |
| | | | a. | Equity shareholders | b. Preference shareholder | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | c. | Debenture holders | d. | Financer | | |
| | | viii. | Net Profit After Tax is Rs. 80,000 and Tax is Rs. 20,000 then Rate of Tax is _____. | | | | | |
| | | | a. | 10% | b. | 15% | | |
| | | | c. | 20% | d. | 30% | | |
| | | ix. | A proposal is NOT a Capital Budgeting proposal if it _____ | | | | | |
| | | | a. | has very large investment | b. | Is related to Fixed Assets | | |
| | | | c. | Brings short-term benefits only | d. | brings long-term benefit | | |
| | | x. | BFS Corporation, Equity Shares has a beta =1.2. The risk-free rate is 6% and the market return is 11%. Cost of equity using CAPM is _____ | | | | | |
| | | | a. | 12% | b. | 21% | | |
| | | | c. | 21.8% | d. | 12.2% | | |
| | | | | | | | | |
| | (b) | **State whether the following statements are true or false (Any 7).** | | | | | **(07)** | |
| | | i. | If I make one deposit today and wish to know how much it will be accumulated in the future, that value is called Present Value. | | | | | |
| | | ii. | Depreciation is a non-cash item. | | | | | |
| | | iii. | Cash Credit is an arrangement under which a customer is allowed an advance upto certain limit against credit granted by bank. | | | | | CO1,CO2 CO3,CO4 L1 |
| | | iv. | Cash profit = Profit After Tax + Depreciation | | | | | |
| | | v. | When the cost of debt increases the average cost of capital decreases | | | | | |
| | | vi. | Financial leverage is to the extent to which a business firm employs owed capital in its capital structure | | | | | |
| | | vii. | Interest is paid to Equity Shareholders. | | | | | |
| | | viii. | Cost of existing share capital and fresh issue of capital are same. | | | | | |
| | | ix. | Sectors where FDI is prohibited are Chit Funds, Lottery Business, Gambling & Betting, etc. | | | | | |
| | | x. | Capital Budgeting is a part of investment decision. | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| **Q. 2** | | **Attempt any ONE of the following.** | | | | | **[15]** | **Course Outcome** **Knowledge Level** |

| | | | | | |
|---|---|---|---|---|---|
| | **(a)** | Following are the details regarding three companies A Ltd, B Ltd, and C Ltd.<br><br>| | A Ltd | B Ltd | C Ltd |<br>|---|---|---|---|<br>| Internal Rate of Return | 15% | 5% | 10% |<br>| Cost of Equity Capital | 10% | 10% | 10% |<br>| Earnings per Share | Rs 8 | Rs 8 | Rs 8 |<br><br>Calculate value of an equity shares of each of these companies as per Walter's model when the dividend payout ratio is:<br>• 50%<br>• 75%<br>• 25%<br>What Conclusion do you draw? | | CO4 | L5 |
| | | OR | | | |
| | **(b)** | For WAN Ltd. the annual rate of return and related probabilities is given below.<br><br>| **State of Economy** | **Rate of return (%)** | **Probability** |<br>|---|---|---|<br>| Boom | 10 | 0.30 |<br>| Normal | 15 | 0.40 |<br>| Recession | 20 | 0.30 |<br><br>Compute expected return and standard deviation. | **(08)** | CO1 | L3 |
| | **(c)** | Assume a 10% discount rate. Compute the present value of Rs. 11,000; Rs. 9,000; Rs. 15,000; Rs. 7,000 received at the end of the year for 4 years respectively. | **(07)** | CO1 | L3 |
| | | | | | |
| **Q. 3** | | **Attempt any ONE of the following.** | **[15]** | **Course Outcome** | **Knowledge Level** |
| | **(a)** | Gates Ltd has the following Capital Structure:<br><br>| **Source of Funds** | **Amount (Rs)** |<br>|---|---|<br>| Equity Shares of Rs.10 each | 40,00,000 |<br>| 12% Preference Shares | 20,00,000 |<br>| 14% Debentures | 60,00,000 |<br><br>The company requires Rs.30,00,000 to finance expansion programme for which the following alternatives are available:<br>i) Issue of new Debentures and Preference Share are in equal proportions<br>ii) Issue of Preference Shares to the extent of 20% and 80% by Debentures.<br>iii) Issue of new 15% Debentures.<br>After Expansion Earnings Before Interest and Tax (EBIT) is Rs.60,50,000.<br>The Income Tax rate is 50%.<br>Recommend the best alternative with suitable reason. | | CO3 | L5 |
| | | OR | | | |
| | **(b)** | Following are the details of two companies A and B | **(08)** | CO3 | L3 |

| Particulars | A | B |
|---|---|---|
| Variable cost per unit (Rs) | 38 | 45 |
| Fixed cost per annum (Rs) | 4,00,000 | 6,00,000 |
| Selling Price per unit (Rs) | 85 | 120 |
| Output Per annum (units) | 18,000 | 20,000 |
| Interest on Debentures (Rs) | 1,25,000 | 80,000 |

Calculate:

1.Operating Leverage and

2.Financial Leverage of two companies

**(c)** Following are the details of Capital Structure of Company X Ltd. **(07)** CO3 L3

| Sources Of Funds | Amount in Rs | Cost of Capital After Tax |
|---|---|---|
| Equity Capital | 40,000 | 5 % |
| Preference Capital | 10,000 | 8% |
| Debentures | 60,000 | 13% |
| Retained Earnings | 20,000 | 9 % |

Calculate Weighted Average Cost of Capital.

| Q. 4 | | **Attempt any One of the following.** | **[15]** | **Course Outcome** | **Knowledge Level** |
|---|---|---|---|---|---|
| | **(a)** | Bharat Ltd. is currently under examination of project earning following cash inflows after depreciation but before tax: | | CO2 | L5 |

| Year | Cash inflow |
|---|---|
| 1 | 16,000 |
| 2 | 16,000 |
| 3 | 18,000 |
| 4 | 18,000 |
| 5 | 15,000 |

The cost of machinery to be installed works out to Rs 2,00,000 & the machine is to be depreciated @20% on Written Down Value basis. Income Tax rate is 50%. Cost of Capital is 10%.

Calculate NPV and recommend.

OR

**(b)** **Short Notes (Any 3)** CO1,CO2 CO3,CO4 L2

1. Convertible Debentures
2. Traditional method of Capital Budget
3. Bank Overdraft
4. Working Capital
5. IRR

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