

M.Com. (Sem.-1) (HPP) (Financial) Examination

CC 1

Financial Management

March 2019

Time : 2-30 Hours]

[Max. Marks : 70

1 (A) What is Financial Management? Describe the objectives of financial management. (14)

OR

1 A(i) Explain wealth maximization objective of financial management. (07)

1 A(ii) Explain scope of financial management. (07)

1 (B) Select the most appropriate answer from the multiple options given in each question.

(Attempt any four) (04)

1. Traditional approach confines finance function only to _____ funds.

(A) raising (B) mobilizing (C) utilizing (D) managing

2. Which of the following would be considered a risk free investment?

(A) Gold (B) Equity (C) Bonds (D) T-bills

3. Agency cost consists of

(A) Binding (B) Monitoring (C) Opportunity Cost (D) All of the above

4. Finance Function comprises

(A) Safe custody of funds only (B) Expenditure of funds only

(C) Procurement of finance only (D) Procurement & effective use of funds

5. The controller's responsibilities are primarily _____ in nature.

(A) operational (B) accounting (C) A & B both (D) None of the above

6. The market price of a share of common stock is determined by

(A) the board of directors of the firm (B) the stock exchange on which stock is listed

(C) the president of the company (D) individual buying and selling of the stock

2 (A) What is risk and return? Explain causes of financial risk and business risk. (14)

OR

M1038-2

2 A(i) If an investor invests Rs. 1,00,000 annually for 5 years at 12% then what amount it will be at the end of 5th year if (1) compounding is done annually and (2) compounding is done semi-annually. (07)

2 A(ii) A company has issued 12% bond of Rs. 1,000 face value which will mature after 5 years from now. Present value of the bond is Rs. 950. Find out current yield and approximate Yield-to-Maturity. (07)

2 (B) Select the most appropriate answer from the multiple options given in each question.

(Attempt any four)

(04)

1. Financial securities contain _____.

(A) Equity Share

(B) Preference Share

(C) Debenture

(D) All of the above

2. Lower the discount rate, _____ the present value of future cash flow.

(A) Lower

(B) Higher

(C) Fixed

(D) Speedy

3. Required rate of return and market value of the bond have _____ relationship.

(A) Direct

(B) Straight

(C) Inverse

(D) Indirect

4. A company has declared dividend of Rs. 5 per share last year. Earnings of the company is expected to grow at 5% p.a. perpetually. If expected rate of return is 15% p.a. then what could be the present value of the share. Face value of the share is Rs. 10.

(A) Rs. 52.5

(B) Rs. 50

(C) Rs. 33.33

(D) Rs. 35

5. If the rate of interest is 12%, what is doubling period as per rule of 72?

(A) 4 years

(B) 6 years

(C) 8 years

(D) 9 years

6. What is present value of perpetuity of Rs. 10,000 if the rate of interest is 8%.

(A) Rs. 1,00,000

(B) Rs. 1,250

(C) Rs. 1,25,000

(D) Rs. 12,500

3 (A) A company has received project proposal of costing Rs. 10,00,000 with following expected cash flow.

(14)

M1038-3

Year	Cash Flow (in Rs.)	Year	Cash Flow (in Rs.)
1	2,00,000	6	3,75,000
2	2,30,000	7	4,00,000
3	2,50,000	8	2,00,000
4	3,00,000	9	1,50,000
5	3,50,000	10	1,00,000

Cost of capital is 20%. Calculate Pay back period, Net Present Value, Profitability Index and Internal Rate of Return with 20% and 25% discount factor.

Year	1	2	3	4	5	6	7	8	9	10
Dis. Factor @ 20%	0.833	0.694	0.579	0.482	0.402	0.335	0.279	0.233	0.194	0.162
Dis. Factor @ 25%	0.800	0.640	0.512	0.410	0.328	0.262	0.210	0.168	0.134	0.107

OR

3 A(i) What is working capital? Explain characteristics of working capital. (07)

3 A(ii) Explain any one method of capital budgeting in detail. (07)

3 (B) Select the most appropriate answer from the multiple options given in each question.

(Attempt any three) (03)

- The project is accepted if
 - (A) the Profitability Index is equal to 1
 - (B) the Profitability index is less than 1
 - (C) the Profitability Index is more than 1
 - (D) All of the above
- Which of the following techniques does not take into account the time value of money?
 - (A) Internal Rate of Return
 - (B) Accounting Rate of Return
 - (C) Net Present Value
 - (D) Profitability Index
- When number of project proposals are on hand which are mutually exclusive, project selection should be ranked according to which of the following criterion:
 - (A) High to Low NPV
 - (B) Low to High Payback period
 - (C) High to low Profitability Index
 - (D) High to Low Average Rate of Return
- Working capital is also known as _____
 - (A) Permanent Capital
 - (B) Fluctuating Capital
 - (C) Small Capital
 - (D) Long Term Capital

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M1038-4

5. Net Working Capital refers to _____

- (A) Current Assets minus Current Liabilities
- (B) Total Assets minus Total Liabilities
- (C) Total Assets minus Current Liabilities
- (D) Current Assets plus Current Liabilities

4 (A) Explain determinants of dividend policy. (14)

OR

4 A(i) Kilitch Ltd. has the following capital structure:

(Rs. in Lakhs)

Particulars	Market Value	Book Value	Specific Cost (%)
Equity Share Capital	120	100	18
Preference Share Capital	25	20	14
10% Debentures	35	40	6

Calculate WACC based on Book value and Market value. Specific cost is net of tax. (07)

4 A(ii) The particulars of the firm X and Y are given in the following table:

Particulars	Firm X (Rs.)	Firm Y (Rs.)
Sales	2,40,000	2,40,000
Variable Cost	1,00,000	1,20,000
Operating Fixed Cost	50,000	50,000
Financing Cost	10,000	15,000

Calculate degree of operating leverage, degree of financial leverage and degree of combined leverage. (07)

4 (B) Select the most appropriate answer from the multiple options given in each question.

(Attempt any three) (03)

1. Net Operating Income approach is presented by _____.

- (A) David Durand
- (B) Ezra Soloman
- (C) Miller
- (D) Elli Swartz

2. _____ capital is considered in analysis of cost of capital.

- (A) Long term
- (B) Short term
- (C) Cost of Sales
- (D) All of the above

M1038-5

3. The problem with the regular dividend policy from the firm's perspective is that...
- (A) it increases the shareholders' uncertainty.
 - (B) it bores the shareholders
 - (C) if the firm's earnings drop, so does the dividend payment
 - (D) even when earnings are low, the company must pay a fixed dividend
4. High DOL suggests _____
- (A) High operating risk
 - (B) High finance risk
 - (C) Low operating risk
 - (D) Low finance risk
5. _____ capital is considered in analysis of cost of capital.
- (A) Long Term
 - (B) Short Term
 - (C) Intermittent
 - (D) A & B both

x _____ x

M.Com. (Sem.-1) (HPP) (Financial) Examination

CC 2

Research in Finance (FFS)

April 2019

Time : 2-30 Hours]

[Max. Marks : 70

- Q-1 (a) Explain different types of research. (7)
 (b) Explain different types of research design. (7)

OR

- Q-1 (a) Explain various techniques of formal experimental design. (7)
 (b) What is research proposal? Explain it in detail. (7)

- Q-2 (a) Explain direct personal observation method. Also state advantages and disadvantages of method. (7)
 (b) Explain non probabilistic sampling methods in brief. (7)

OR

- Q-2 (a) Explain different types of frequency distributions. (7)
 (b) What are the sources for collecting secondary data? Also write advantages and disadvantages of secondary data. (7)

- Q-3 (a) Find arithmetic mean from the following data: (7)

Class	10-20	20-30	30-40	40-50	50-60
Frequency	4	6	10	7	3

- (b) Find correlation coefficient from the following data: (7)

X	60	55	62	56	62	64	70	54
Y	31	28	26	24	30	35	28	24

OR

- Q-3 (a) Find median for the following data: (7)

Class	0-10	10-20	20-30	30-40	40-50	50-60	60-70
f	4	16	60	100	40	6	4

M0005-2

- (b) Find the equation of line of "Y on X" for following data: (7)

X	0	2	4	6	8	10
Y	110	113	118	119	120	118

- Q-4 (a) A random sample of size 36 was taken from a population. It was found that the sample average is 20 with variance 16. How will you examine that the average of population is 22 at 5% level of significance? (7)

- (b) Test the hypothesis that there is no significant difference between the means of A, B and C from the following data: (7)

A	B	C
3	5	2
3	3	4
1	7	6
4	6	5

Test the hypothesis at 5% level of significance.

(Take $F_{(0.05,2,9)} = 4.26$)

OR

- Q-4 (a) A machine is designed to produce insulating washers for electrical devices of average thickness of 0.025 cms. A random sample of 10 washers was found to have an average thickness of 0.024 cms. With a standard deviation of 0.02 cms. Test the significance of deviation at 5% level of significance. (6)

($t_{(9,0.05)} = 2.26$)

M0005-3

- (b) (i) The number of road accidents on a high way during a week is given below. Can it be said that the proportion of accidents are equal for all days at 5% level of significance? (7)

$$(\chi^2_{(6,0.05)} = 12.59)$$

Day	Mon	Tue	Wed	Thur	Fri	Sat	Sun
No. of Accidents	14	16	8	12	11	9	14

- Q-5 (a) Define research and give its objectives. (5)
(b) Explain different types of data. (5)
(c) What is measure of average? Give its uses. (4)

OR

- (a) What is research design? Write different types of it. (5)
(b) What you mean by missing data? (5)
(c) What is correlation coefficient? Give its properties? (4)

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M.Com. (Sem.-1) (HPP) (Financial) Examination

CC 5

Accounting for Finance (FFS)

Time : 2-30 Hours]

April 2019

[Max. Marks : 70

- Q-1A** Discuss various objectives of Corporate Financial Statements. 14
- OR**
- A(i)** Implementation of Accounting Standards in India is a criminal waste of time and money. Critically examine the above statement. 07
- (ii)** Give an illustrative format of Balance Sheet of a Company as per revised Schedule VI of Companies' Act. 07
- B** Select one correct answer from each of the following questions and show your working. (any four) 04
- 1** Indian Accounting Standard 3 deals with:
- Inventories
 - Cash Flow Statement
 - Depreciation Accounting
 - Construction Contracts
- 2** IFRS stands for:
- International Financial Reporting Standards
 - Indian Financial Reporting Standard
 - Indian Foreign Reporting Standard
 - None of the above
- 3** A financial statement that records all the inflow and outflow of cash during the year of the company is called:
- Balance Sheet
 - Income Statement
 - Cash Flow Statement
 - Fund Flow Statement
- 4** Which of the following is a function of IFRS?
- Reorganisation
 - Measurement
 - Presentation
 - All of the above
- 5** GAAP stands for:
- Globally accepted Accounting Practices
 - Generally accepted Accounting Principles
 - Generally accepted Accounting Practices
 - Globally accepted Accounting Principles
- 6** Which one of the following statements is not mandatory to be prepared by a Listed Company?
- Cash Flow Statement
 - Fund Flow Statement
 - Balance Sheet
 - Profit and Loss Account

Q-2A The following are the Balance Sheets of **Concord Ltd** for two years:

14

Liabilities	31-3-2015 RS	31-3-2016 RS	Assets	31-3-2015 RS	31-3-2016 RS
Equity Share Capital-each share of Rs. 10	5,00,000	7,50,000	Goodwill	1,50,000	1,40,000
General Reserve	3,00,000	1,00,000	Building	3,00,000	5,00,000
Profit and Loss account	50,000	60,000	Plant	2,00,000	4,75,000
10% Debentures	-----	2,50,000	Investments	75,000	60,000
Bill Payable	1,00,000	1,00,000	Stock	80,000	1,25,000
Outstanding expenses	1,25,000	1,55,000	Bill receivable	2,45,000	1,05,000
Tax Provision	75,000	85,000	Cash Balance	60,000	65,000

P.T.O

			Miscellaneous expenditure	40,000	30,000
	11,50,000	15,00,000		11,50,000	15,00,000

- Additional Information:
- On 1st March 2015 bonus shares were issued in the ratio of 2:1 by capitalising General Reserve.
- Income Tax of Rs. 70,000 and interim dividend of Rs. 40,000 was paid during the year.
- Depreciation charged on Building was Rs. 30,000 and on plants Rs. 20,000
- A plant having a book value of Rs. 50,000 was sold at a profit which was credited to capital reserve account.
- During the year debentures were issued at 5% discount.
- Goodwill was written off against capital reserve.
- Investments of Rs. 25,000 were sold at 20% profit.

Prepare Cash Flow Statement as per Accounting Standard 3

OR

A(i) Complete the following Balance Sheet with the help of the information given below:

07

Liabilities	Rs.	Assets	Rs.
Equity share Capital of Rs. 100 each	?	Fixed Assets	?
Reserves	?	Current Assets:	
Debentures	8,00,000	Stock	?
Current liabilities:		Debtors	?
Creditors	?	Cash	?
Bills payable	4,00,000		
	?		?

Additional Information:

1. Sales Rs. 96,00,000
2. Gross Profit Ratio:25%
3. Net Profit after tax Rs. 4,00,000
4. All the purchases and sales are on credit
5. Sales: Debtors is 12:1
6. Cost of sales : creditors is 12:1
7. Earnings per share is Rs. 20
8. Stock turnover ratio is 10
9. Debt-equity ratio is 0.25 :1
10. Current ratio is 1.6:1

(ii) Discuss various classifications of Accounting Ratios.

07

B Select one correct answer from each of the following questions and show your working.(any four)

04

1 Under the context of Cash Flow Statement as per AS 3, Redemption of debentures will come under:

- a. Operating Activities
- b. Investment Activities
- c. Financial Activities
- d. None of the above

2 Which of the following will be shown under the heading of Financial Activities in Cash Flow Statement as per AS 3?

- a. Issue of bonus shares
- b. Issue of right shares
- c. Payment of taxes
- d. Purchase of Building

3 A high debtors' velocity shows:

- a. Efficiency of collection department
- b. Efficiency of production department
- c. Inefficiency of collection department
- d. Inefficiency of purchase department

4 What will be the gearing ratio if the equity share capital is Rs. 1,00,000, Preference share capital is Rs. 50,000 and Debentures are Rs. 1,50,000?

- a. 1
- b. 2

- c. 5
 - d. None of the above
- 5 Liquidity ratios are expressed in:
- a. Pure ratio form
 - b. Percentage
 - c. Rate or time
 - d. None of the above
- 6 What will be the debtors turnover ratio if the closing debtors is Rs 40,000, Cash sales is 25% of credit sales and excess of closing debtors over opening debtors is Rs 20,000?
- a. 4 times
 - b. 2 times
 - c. 6 times
 - d. 8 times

Q-3A The following is the Income Statement of a company as on 31st march 2003 on historical accounting basis. 14

Particulars	Rs.	Rs.
Net Sales		18,00,000
Less: Cost of goods sold:		
Opening stock (FIFO)	2,00,000	
+Purchases	10,80,000	
	12,80,000	
-Closing stock	1,80,000	11,00,000
Gross Profit		7,00,000
Less Operating expense:		
Selling expenses	90,000	
General expenses	54,000	
Depreciation	1,00,000	2,44,000
Net Profit		4,56,000

Fixed Assets were acquired when index was 125. General price indices are as follows:

1-4-2002 160

31-3-2003 200

Average 180

Profit for general price index level Rs. 10,000.

From the above information ,calculate Net Income under CPP Method.

OR

- A(i) Discuss the scope of Environment Accounting. 07
- (ii) Discuss in brief various approaches to Human Resource Accounting. 07
- B** **Select one correct answer from each of the following questions and show your working.(any three)** 03
- 1 As far as value added accounting is concerned, which of the following statements is true?
 - a. Value added statement is wider in nature as compared to profit and loss account.
 - b. Value added statement is calculated on enterprise concept.
 - c. Value added statement concentrates not only on owners but other stake holders as well.
 - d. All of the above
- 2 Which of the following is the scope of social accounting?
 - a. Accountability
 - b. Voluntary reporting
 - c. Social audit
 - d. All of the above
- 3 Which of the following is considered to be a Non Monetary item with reference to Inflation Accounting?
 - a. Debtors
 - b. Closing Stock
 - c. Cash and Bank Balance
 - d. None of the above
- 4 While preparing value added statement, which of the following is not shown under the heading of value added retained by the business?
 - a. Transfer to General reserve
 - b. Bad Debts Reserve
 - c. Transfer to Fixed Asset Replacement Reserve
 - d. None of the above
- 5 Which of the following are the objectives of Human Resource Accounting?
 - a. To evaluate the return on investment on Human resource
 - b. To aid in the development of management principles

- c. To furnish human resource cost and value information for making management decisions
- d. None of the above

Q-4A Insight Ltd manufactures a machine which has a variable cost structure as follows:

Material Rs. 40 per unit
 Labour Rs. 10 per unit
 Overheads Rs. 4 per unit

Sales during the current year are expected to be Rs. 13,50,000 at a selling price of Rs. 90 per unit and Fixed overheads Rs. 1,40,000.

Under a wage agreement, an increase of 10% is payable to all workers from the next year, the material cost is expected to rise by 7.5%, variable overheads by 5% and Fixed overheads by 3%

You are required to calculate:

- (I) The current P/V Ratio
- (II) The new selling price if the current year's P/V ratio is to be maintained in the next year.

OR

A(i) Discuss the advantages of Budgetary control

07

(ii) Discuss the limitations of Zero Based Budgeting

07

B Select one correct answer from each of the following questions and show your working. (any three)

03

1 A cost that is not identifiable to a cost object is known as:

- a. Indirect cost
- b. Variable cost
- c. Direct cost
- d. Fixed cost

2 Which one of the following is a direct expense?

- a. Carriage inwards
- b. Carriage outwards
- c. Both of the above
- d. None of the above

3 Opportunity cost is also known as:

- a. Alternative cost
- b. Direct cost
- c. Relevant cost
- d. Fixed cost

4 Which of the following costs is generally not relevant?

- a. Replacement cost
- b. Incremental variable cost
- c. Sunk cost
- d. Incremental fixed cost

5 Which of the following costs is not relevant when considering the closure of a department within a factory?

- a. Fixed overheads
- b. Direct materials
- c. Direct labour

Manufacturing overheads

— X — 2 —