

IMSc (FT) (NEP) Sem.-1 Examination

DSC-C-FIN-111T

Financial Management

Time : 2-00 Hours]

February-2025

[Max. Marks : 50

**Instructions:**

- Figures to the right indicate Full Marks.
- Do not write anything on the question paper.
- Simple calculator is allowed. Do not use a scientific calculator.

Q.1 A.	Mr.X has borrower of Rs.2,00,000 to be paid in five equal annual installments (principle plus interest). The rate of interest is 30%. Prepare a loan amortization schedule.	(10)																								
	OR																									
Q.1 A.	Define Financial Management along with status and duties of financial manager (CFO).	(10)																								
Q.2 A.	Write a detail note on cash management along with its objectives.	(10)																								
	OR																									
Q.2 A.	The inventory requirement of a company for the year is 30,000 unites of raw material. The ordering cost is Rs.80 per order and carrying costs are expected to be Rs.0.10 per unit. It can make purchases in lots of 30,000 units, 15,000 units, 7,500 units, 5,000 units, and 2,500 units. Find out the Economic Order Quantity and total cost with the help of trial-and-error approach.	(10)																								
Q.3 A.	The Balance sheet of the star company as on 30/03/2024 as follows:	(10)																								
	<b>Balance Sheet</b>																									
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">Liabilities</th> <th style="width: 10%;">Rs.</th> <th style="width: 40%;">Assets</th> <th style="width: 10%;">Rs.</th> </tr> </thead> <tbody> <tr> <td>Equity Share Capital of Rs.10 per share</td> <td>1,00,000</td> <td>Net Fixed Asset</td> <td>2,50,000</td> </tr> <tr> <td>12% Debentures</td> <td>1,20,000</td> <td>Current Asset</td> <td>80,000</td> </tr> <tr> <td>Reserves and Surplus</td> <td>40,000</td> <td></td> <td></td> </tr> <tr> <td>Current Liabilities</td> <td>70,000</td> <td></td> <td></td> </tr> <tr> <td></td> <td>3,30,000</td> <td></td> <td>3,30,000</td> </tr> </tbody> </table>	Liabilities	Rs.	Assets	Rs.	Equity Share Capital of Rs.10 per share	1,00,000	Net Fixed Asset	2,50,000	12% Debentures	1,20,000	Current Asset	80,000	Reserves and Surplus	40,000			Current Liabilities	70,000				3,30,000		3,30,000	
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Q.3 A.	<p>During the year 2023-2024 company's sales is Rs. 8,00,000; Fixed expenses are Rs. 1,60,000 while variable cost is 45% of sales, Income Tax Rate is 50%.</p> <p>From the above information (A) Calculate all types of leverages, (B) Determine the level of EBIT if EPS is Rs.2, 4 and zero.</p> <p style="text-align: center;"><b>OR</b></p> <p>Nag Limited is setting up a project with a capital outlay of Rs. 60,00,000. It has two alternatives in financing the project cost. Plan 1: 100% equity finance by issuing equity shares of Rs.10 each.</p> <p>Plan 2: Debt- Equity Ratio 2:1 (Equity share will be of Rs.10 each).</p> <p>The rate of interest payable on the debts is 18% per annum. The corporate tax rate is 40%. Calculate the indifference point between the two alternative plans of financing.</p>	(10)												
Q.4 A.	<p>Dhruv Shah Ltd. wants to purchase a machine. Evaluate (1) Payback Period, (2) Accounting Rate of Return, (3) Net Present Value, (4) Profitability Index, (5) Original Rate of Return from the following information:</p> <p>Capital Investment is Rs.6,00,000, Rate of Depreciation is 20%, Rate of Taxes is 50%, The estimated profit after depreciation and other expenses are as under:</p> <table border="1" data-bbox="542 974 1037 1209"> <thead> <tr> <th>Year</th> <th>Estimated Profit (Rs.)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>2,50,000</td> </tr> <tr> <td>2</td> <td>2,50,000</td> </tr> <tr> <td>3</td> <td>2,20,000</td> </tr> <tr> <td>4</td> <td>2,20,000</td> </tr> <tr> <td>5</td> <td>1,60,000</td> </tr> </tbody> </table>	Year	Estimated Profit (Rs.)	1	2,50,000	2	2,50,000	3	2,20,000	4	2,20,000	5	1,60,000	(10)
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Q.4 A.	<p style="text-align: center;"><b>OR</b></p> <p>Harsh Industries Ltd. is considering investing in a project requiring a capital outlay of Rs. 1,00,000. Forecasted annual income after depreciation but before tax is as follows:</p> <table border="1" data-bbox="582 1388 877 1624"> <thead> <tr> <th>Year</th> <th>Rs.</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>50,000</td> </tr> <tr> <td>2</td> <td>40,000</td> </tr> <tr> <td>3</td> <td>30,000</td> </tr> <tr> <td>4</td> <td>20,000</td> </tr> <tr> <td>5</td> <td>10,000</td> </tr> </tbody> </table> <p>Depreciation may be taken as 20% on cost as per written down value method. The company's required rate of return is 10% and pays tax at a 40% rate:</p> <p>You are required to evaluate the project according to each of the following method:</p> <ol style="list-style-type: none"> <li>1) Payback Period method</li> <li>2) Rate of return on average investment method</li> <li>3) Net present value method</li> </ol>	Year	Rs.	1	50,000	2	40,000	3	30,000	4	20,000	5	10,000	(10)
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	<p><b>4) Profitability index method</b>  <b>Present value of re 1 at 10% discount rate is as follows:</b></p> <table border="1" data-bbox="459 230 1171 338"> <thead> <tr> <th>Year</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> </thead> <tbody> <tr> <td>Present value</td> <td>.909</td> <td>.826</td> <td>.751</td> <td>.683</td> <td>.621</td> </tr> </tbody> </table>	Year	1	2	3	4	5	Present value	.909	.826	.751	.683	.621	
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Q.5	<p><b>Answer the following Multiple Choice Question (Any ten)</b></p> <ol style="list-style-type: none"> <li>1. The _____ approach of financial management is not practical and has to be discarded.  (A) traditional (B) modern (C) too wide (D) managerial</li> <li>2. The traditional approach places emphasis on the _____ financial requirements only.  (A) short term (B) long term (C) mid-term (D) day to day</li> <li>3. Both the future and present value of a sum of money are based on:  (A) Interest Rate  (B) Number of time period  (C) Both A and B  (D) None of these</li> <li>4. The proportion of cash is very much _____ as compared to the business assets.  (A) high  (B) less  (C) equal  (D) double</li> <li>5. _____ method is based on estimating closing cash balance by converting profit figure into cash.  (A) Receipt and payments  (B) Adjusted profit and loss  (C) Balance sheet  (D) Working Capital differential</li> <li>6. Which is not the motive for holding inventory?  (A) Transaction Motive  (B) Compensating Motive  (C) Precautionary Motive  (D) Speculative Motive</li> <li>7. A firm will have a _____ operating leverage when it incurs smaller amount of fixed cost and relatively higher amount of variable cost.  (A) Low  (B) High  (C) Equal  (D) Reduced</li> <li>8. A firm will have a _____ operating leverage when it incurs greater amount of fixed cost and relatively smaller amount of variable cost.  (A) Low  (B) High  (C) Equal  (D) Reduced</li> </ol>	(10)												

9. The leverage associated with investment activities is referred to as \_\_\_\_\_ leverage.
- (A) Financial
  - (B) Operating
  - (C) Assets
  - (D) Material
10. What is the present value of Rs,1 at discounting rate of 15% for the 5<sup>th</sup> year?
- (A) 0.572
  - (B) 0.497
  - (C) 0.75
  - (D) 1.50
11. In a long-term decision-making, which method is the best guide?
- (A) NPV Method
  - (B) ARR Method
  - (C) Pay back Method
  - (D) None of these
12. \_\_\_\_\_ is the best decision technique for mutually exclusive projects.
- (A) NPV
  - (B) PI
  - (C) ARR
  - (D) None of these