0102E1282

Candidate's Seat No :_____

MCom (HPP) Sem.-1 FFS Examination

CC-1

Financial Management

February-2025

Time : 2-30 Hours] **[Max. Marks : 70**

Q.1

(A) Explain the Importance of financial management. 7

(B) Explain Traditional approach of finance. 7

OR

Q.1

(A) Explain meaning and scope of financial management. 7

(B) Explain the Profit maximisation approach. 7

Q.2

(A) Tanushi an investor is likely to retire at the end of the 10th year. In order to receive ₹6,50,000 annually for 10 years after the date of retirement, how much amount should she have at the time of retirement? Interest rate is 6% compounded annually.
PVAF (1-10), i=6% =7.36009 7

(B) If Rohan invests ₹1,00,000 at an interest rate of 10 % per annum, what is the amount after 4 years if the compounding of interest is done:

(i) Annually
(ii) Half yearly
(iii)Quarterly

Future value from compounding table:
$(1 + 0.10)^4 = 1.4641$, $(1 + 0.05)^8 = 1.477455$, $(1 + 0.025)^{16} = 1.484506$ 7

OR

Q.2 The rate of return from investment proposal P and Q as well as probability for such return from different situations are given below. Select the best proposal based on risk and return analysis.

Situation	Probability	Rate of return from Proposal-P	Rate of return from Proposal-Q
Bad	0.20	10%	5%
Moderate	0.50	15%	20%
Good	0.30	25%	30%

14

Q.3 Following information is forecasted by the HM Limited for the year ending 31st March, 2025:

Particulars	Balance as at 1st April, 2024	Balance as at 31st March, 2025
	₹	₹
Raw Material	50,000	70,000
Work-in-progress	35,000	65,000
Finished goods	60,000	80,000

(P.T.O)

Debtors	1,20,000	1,40,000
Creditors	50,000	70,000
Annual purchases of raw material (all credit)		5,00,000
Annual Factory cost of goods manufactured		7,50,000
Annual cost of goods sold		9,20,000
Annual operating cost		9,50,000
Annual sales (all credit)		12,00,000

You may take one year as equal to 365 days. You are required to calculate:
(i) Net operating cycle period.
(ii) Number of operating cycles in the year.
(iii) Amount of working capital requirement. **14**

OR

Q.3 Radhe Ltd. has decided to invest into a big project. The relevant data about this project are as follow:

Cost of project ₹80,00,000
Tax Rate 30%

Profit before tax is as follows:

Year	**1**	**2**	**3**	**4**
Profit before tax (₹)	32,00,000	24,00,000	24,00,000	16,00,000

Present value of ₹1 at discount rate are as follows:

Year	**1**	**2**	**3**	**4**
Present Value at 10% (Ko): Discounting rate of Project	0.909	0.826	0.751	0.683

Required to calculate:
(i) Payback period.
(ii) Average Rate of return.
(iii)Net Present Value.
(iv) Profitability Index. **14**

Q.4 The condensed Balance Sheet of the Maharaja Ltd. as on 31-3-2024 is as under:

Equity and Liabilities	**₹**	**Assets**	**₹**
Equity Share Capital (₹10 each)	70,000	Fixed Assets at cost	2,00,000
Reserves & Surplus	30,000	Less: Accumulated depreciation	80,000
10% Preference Share Capital ₹100 each)	20,000	Net Fixed Assets	1,20,000
14% Debentures (₹ 100 each)	80,000	Current Assets	1,10,000
Current liabilities	30,000		
	2,30,000		**2,30,000**

Additional Information:

(1) The cost of equity capital is 16% and the cost of reserves is 1% less than the cost of equity capital.

(2) The applicable tax rate to the company is 30%.

(3) The current market prices are as under:

(i)Equity shares ₹16

(ii)Preference shares ₹ 120

(iii)Debentures ₹110

Determine overall cost of capital from the above information as per:

i) Book value weights and

ii) Market value weights **14**

OR

Q.4

(A) Milan Ltd. furnished the following balance sheet as on 31st March 2024.

Equity and Liabilities	**₹**	**Assets**	**₹**
Equity share capital (50,000 Equity shares each of ₹10)	5,00,000	Fixed Assets	15,00,000
General Reserves	2,00,000	Current Assets	10,00,000
15% Debt	14,00,000		
Current Liabilities	4,00,000		
	25,00,000		**25,00,000**

Additional Information:

a) Annual fixed costs other than interest are ₹ 14,00,000.

b) The variable cost ratio is 60%.

c) The total Assets Turnover ratio is 2.5.

d) Tax rate is 30%.

You are required to calculate:

i) DOL (Operating leverage)

ii) DFL (Financial leverage)

iii) EPS (Earning per share) **7**

(B) The following information is relating to Pinali Ltd.

Expected Net Operating Income ₹ 4,80,000

10% Debt ₹ 14,40,000

Ke (Equity Capitalization Rate) 20%

You are required to calculate:

The value of firm and Ko as per NI Approach. **7**

Q.5 Select the appropriate alternative: **(Attempt any Seven out of given)** **14**

(1) If the risk-free return is 6%, beta value is 1.5 and market rate of return is 12%, the expected rate of return would be:

(a) 18%

(b) 15%

(c) 20%

(d) None of the above

(P.T.O)

(2) Net working capital = _____
(a) Total assets less fixed assets
(b) Current assets
(c) Current assets less current liabilities
(d) None of the above

(3) Financial securities contain _____
(a) Equity share
(b) Debenture
(c) Preference share
(d) All of the above

(4) As per Dividend Policy a company is considered as the Normal Company if:
(a) r > ke
(b) r < ke
(c) r = ke
(d) r > kp

(5) At Financial EBIT, EPS under given any plan will be___.
(a) Zero
(b) Equal
(c) One
(d) None of the above

(e)Lower the discount rate, _____ the present value of future cash flow.
(a) Lower
(b) Higher
(c) Fixed
(d) Speedy

(6) For the Growing company as per Dividend Policy, the Optimum Pay-out ratio would be:
(a) 0%
(b) 10%
(c) 20%
(d) 100%

(7) Fluctuating working capital is also known as _____
(a) Temporary working capital
(b) Circulating working capital
(c) Both (a) and (b)
(d) Small capital

(8) Which of the following is not incorporated in Capital Building?
(a) Tax-Effect
(b) Time Value of Money
(c) Required Rate of Return
(d) Rate of Cash Discount

(9) _____ is considered in analysis of cost of capital.
(a) Long-term capital

(b) Short-term capital
(c) (a) and (b) both
(d) Only borrowed capital

(10) When Internal Rate of Return (IRR) is equal to cost of capital of a project then;
(a) NPV will be zero.
(b) NPV will be +ve.
(c) NPV will be -ve.
(d) Benefit cost ratio will be zero.

(11) _____is the Relevance theory of Dividend Decision.

(a) Walter model
(b) MM approach
(c) David Model
(d) Baumal Model

(12) Which Leverage shows the impact of % change in Contribution on % change in EPS?
(a) Degree of Financial Leverage (DFL)
(b) Degree of Operating Leverage (DOL)
(c) Degree of Combined Leverage (DCL)
(d) Degree of High Leverage