Seat No. : _____

DP-203

December-2025

BBA., Sem.-III

CC-202 : Fundamentals of Financial Management

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

1. Solve the following : (Attempt any **2**, **7** marks each) **14**

   (a) What sum of money is invested every year @ 13% p.a. compounded interest for 6 years will amount to ₹ 2,00,000 ?

   (b) A person is investing ₹ 95,000 for 4 years at the rate of 6% p.a., find the compounded value at the end of 4 years, if compounding is done semi-annually ?

   (c) Mr. Y borrowed ₹ 5,00,000 to be paid in 5 annual installments. The rate of interest is 9% p.a. Find the amount of instalment and prepare Loan Amortization Schedule.

OR

1. (A) Discuss the importance of financial management in business. **7**

   (B) Explain the executive finance function in detail. **7**

2. From the following data, prepare cash budget of Mr. KK for 6 month period ending 30th June, 2024. **14**

Month	Sales	Purchase	Wages	Administration Expenses	Selling Expenses
Nov. 2023	2,00,000	85,000	18,000	8,000	5,000
Dec. 2023	2,50,000	95,000	20,000	8,800	6,000
Jan. 2024	3,00,000	75,000	22,000	10,400	7,000
Feb. 2024	3,50,000	95,000	20,000	8,600	8,000
Mar. 2024	2,25,000	75,000	30,000	10,600	9,000
Apr. 2024	3,35,000	1,85,000	26,000	9,800	10,000
May 2024	3,55,000	70,000	22,000	6,200	8,000
June 2024	2,15,000	65,000	18,000	5,600	7,000

Additional Information :

(1) The opening cash balance is ₹ 1,12,000.
(2) Assume the proportion of cash sales and credit sales as 2 : 3.
(3) Assume 10% of total purchases to be cash.
(4) Assume 10% of the credit sales to be returned every month.
(5) 40% of the Net credit sales are realized in the month following the sales and remaining in the second month following the sales.
(6) Sales commission is 5% of the total net sales, is to be paid in the next month after actual sales.
(7) The period of credit allowed by suppliers is two month.
(8) The time lag in payment of wages is ½ month.
(9) The time lag in payment of administration expenses and selling expenses is 1 month.
(10) Plant costing ₹ 3,00,000 is due for delivery in the month of Oct. 2023 payable 10% on delivery and remaining in 3 equal installments from Jan. to March 2024.

OR

2. (A) Discuss the factors affecting working capital. **7**
   (B) What is Inventory ? What are the motives of holding inventory ? **7**

3. Calculate Operating, Financial and Combined Leverage under Situation A, B & C and Financial Plan 1, 2 & 3. **14**

Installed Capacity	10,000 units
Actual Production and Sales	70% of the Capacity
Selling Price	₹ 32 per unit
Variable Cost	₹ 16 per unit
Fixed Cost :	
Under Situation I	₹ 18,000
Situation II	₹ 28,000
Situation III	₹ 38,000

Capital structure :	**Plan – 1**	**Plan – 2**	**Plan – 3**
Equity	25,000	10,000	40,000
Debt (Rate of Interest at 15%)	25,000	40,000	10,000
Total	50,000	50,000	50,000

OR

3. (A) Write a note on Financial Breakeven Point. **7**
   (B) A company wants to implement some capital projects for which it requires to raise finance to the extent of ₹ 15,00,000 for which its finance manager has formulated various financial plans as follows : **7**
   (i) To raise ₹ 15,00,000 by equity capital OR by 12% preference shares of ₹ 5,00,000, and ₹ 10,00,000 by equity capital.
   (ii) To raise ₹ 15,00,000 by equity capital OR by 12% preference shares of ₹ 5,00,000, ₹ 5,00,000/- by issue of 10% debenture and ₹ 5,00,000 by equity capital.

   Tax rate applicable is 50% and for the purpose of calculation, assume face value of all securities as ₹ 100.
   Determine the Indifference Point.

4. Shivam Ltd. contemplates to purchase a new machine. Its estimated cost is ₹ 4,00,000. In addition, the company estimates that the annual maintenance cost would be ₹ 20,000 during its working life of five years. The scrap value is estimated to be ₹ 50,000. The Profit before depreciation maintenance and tax are as under : **14**

Year	1	2	3	4	5
PBDMT (₹)	2,00,000	2,20,000	2,40,000	2,60,000	2,80,000

The depreciation is charged on Straight line method and tax rate applicable is 50%. From the following information, find the following :

(i) Pay Back Period

(ii) Average Rate of Return

(iii) Net Present Value at 8%

(iv) Profitability Index at 8%

OR

4. (A) Explain Net Present method of capital budgeting and highlight its merits and demerits. **7**

4. (B) Discuss different types of capital budgeting decisions in detail. **7**

5. Do as directed : (Any **7**) **14**

(1) As per approximation rule of 72, if the money would get doubled in 6 years, what percentage return an investor gets ?

(2) Name 2 types of trading on equity.

(3) Compute the present value of perpetuity of ₹ 500 per year, if the discount rate is 5.0%.

(4) Ordering level indicates the lower level of stocks of inventory. (True/False)

(5) If Net present value = 0, we accept the proposal. (True/False)

(6) The role of financial manager in traditional approach is only procurement of funds. (True/False)

(7) If Profitability Index = 1, we accept the proposal. (True/False)

(8) _____ Maximization means maximization of net worth of the shareholders.

(Wealth, Sales, Profit, Production)

(9) Which method of capital budgeting ignores cash generation beyond the period when cash inflows exceeds investments ? (Pay Back Period Method, Net Present Value Method, Average Rate of Return Method)

(10) Find EOQ, if annual consumption is 6000 units, ordering cost is ₹ 500 per order, carrying cost is 20% and purchase price is ₹ 50 per unit.

(11) The full form of EPS is Equity Preference Share. (True/False)

(12) "3/20 Net 60", in this 3 denotes _____.

_____

TABLE

A- 1 (FVIF)

% \ n	1	2	3	4	5	6	7	8	9	10
7	1.0700	1.1449	1.2250	1.3108	1.4026	1.5007	1.6058	1.7182	1.8385	1.9672
8	1.0800	1.1664	1.2597	1.3605	1.4693	1.5869	1.7138	1.8509	1.9990	2.1589
9	1.0900	1.1881	1.2950	1.4116	1.5386	1.6771	1.8280	1.9926	2.1719	2.3674
10	1.1000	1.2100	1.3310	1.4641	1.6105	1.7716	1.9487	2.1436	2.3579	2.5937
11	1.1100	1.2321	1.3676	1.5181	1.6851	1.8704	2.0762	2.3045	2.5580	2.8394
12	1.1200	1.2544	1.4049	1.5735	1.7623	1.9738	2.2107	2.4760	2.7731	3.1058
13	1.1300	1.2769	1.4429	1.6305	1.8424	2.0820	2.3526	2.6584	3.0040	3.3946

A- 2 (FVIFA)

% \ n	1	2	3	4	5	6	7	8	9	10
7	1.0000	2.0700	3.2149	4.4399	5.7507	7.1533	8.6540	10.2598	11.9780	13.8164
8	1.0000	2.0800	3.2464	4.5061	5.8666	7.3359	8.9228	10.6366	12.4876	14.4866
9	1.0000	2.0900	3.2781	4.5731	5.9847	7.5233	9.2004	11.0285	13.0210	15.1929
10	1.0000	2.1000	3.3100	4.6410	6.1051	7.7156	9.4872	11.4359	13.5795	15.9374
11	1.0000	2.1100	3.3421	4.7097	6.2278	7.9129	9.7833	11.8594	14.1640	16.7220
12	1.0000	2.1200	3.3744	4.7793	6.3528	8.1152	10.0890	12.2997	14.7757	17.5487
13	1.0000	2.1300	3.4069	4.8498	6.4803	8.3227	10.4047	12.7573	15.4157	18.4197

A- 3 (PVIF)

% \ n	1	2	3	4	5	6	7	8	9	10
7	0.9346	0.8734	0.8163	0.7629	0.7130	0.6663	0.6227	0.5820	0.5439	0.5083
8	0.9259	0.8573	0.7938	0.7350	0.6806	0.6302	0.5835	0.5403	0.5002	0.4632
9	0.9174	0.8417	0.7722	0.7084	0.6499	0.5963	0.5470	0.5019	0.4604	0.4224
10	0.9091	0.8264	0.7513	0.6830	0.6209	0.5645	0.5132	0.4665	0.4241	0.3855
11	0.9009	0.8116	0.7312	0.6587	0.5935	0.5346	0.4817	0.4339	0.3909	0.3522
12	0.8929	0.7972	0.7118	0.6355	0.5674	0.5066	0.4523	0.4039	0.3606	0.3220
13	0.8850	0.7831	0.6931	0.6133	0.5428	0.4803	0.4251	0.3762	0.3329	0.2946

A - 4 (PVIFA)

% \ n	1	2	3	4	5	6	7	8	9	10
7	0.9346	1.8080	2.6243	3.3872	4.1002	4.7665	5.3893	5.9713	6.5152	7.0236
8	0.9259	1.7833	2.5771	3.3121	3.9927	4.6229	5.2064	5.7466	6.2469	6.7101
9	0.9174	1.7591	2.5313	3.2397	3.8897	4.4859	5.0330	5.5348	5.9952	6.4177
10	0.9091	1.7355	2.4869	3.1699	3.7908	4.3553	4.8684	5.3349	5.7590	6.1446
11	0.9009	1.7125	2.4437	3.1024	3.6959	4.2305	4.7122	5.1461	5.5370	5.8892
12	0.8929	1.6901	2.4018	3.0373	3.6048	4.1114	4.5638	4.9676	5.3282	5.6502
13	0.8850	1.6681	2.3612	2.9745	3.5172	3.9975	4.4226	4.7988	5.1317	5.4262