



RAN-0341

T.Y.B.Com (Honours) Sem - V Examination

March / April - 2019

Financial Management - I

सूचना : / Instructions

नीचे दृशविले निशानीवाणी विगतो उत्तरवही पर अवश्य लभवी.
Fill up strictly the details of signs on your answer book

Name of the Examination:

T.Y.B.Com (Honours) Sem - V

Name of the Subject :

Financial Management - I

Subject Code No.: 0 3 4 1

Seat No.:

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Student's Signature

Q.1 Answer in brief:

10

1. What is dividend decision?
2. Compare NPV and IRR.
3. Explain the term "Cost of capital".
4. Is retained earning a free source of finance? Justify your answer.
5. Give the implications of high debt-equity ratio.

Q.2 a. Profit V/s Wealth maximization goal of financial management.

06

- b. A company is considering to invest in a capital project which will cost ₹1,60,000. It will involve an investment of ₹80,000 in inventories and receivables which will be released when its 5 years life will be completed.

07

It will generate additional sales of ₹1,82,000 and will require cash expenses of ₹50,000 in each year. It will be depreciated on straight line basis. The tax rate is 50% and cost of capital is 10%.

Determine the profitability of the project by net present value and profitability index method

Present value factor of ₹1 at the discount rate of 10% of the first five years are 0.909, 0.827, 0.751, 0.683, 0.621.

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[1]

[P.T.O.]

OR

- Q-2** a. Write a short note on “financial planning”. **06**
b. Explain discounted cash flow investment criteria of investment evaluation. **07**

- Q.3** a. Write a short note on cost of preference shares. **06**
b. Consider the following information of Omega Ltd. **07**

| | |
|--------------------------|-------------|
| Equity Capital | ₹ 5,00,000 |
| 10% Debenture | ₹ 6,50,000 |
| Output (units) per annum | ₹ 20,000 |
| Selling price per unit | ₹ 200 |
| Fixed cost per annum | ₹ 10,00,000 |
| Variable cost per unit | ₹ 80 |

You are required to calculate the operating leverage, financial leverage and combined leverage

OR

- Q-3** a. The shares of chemical company are selling at ₹30 per share. The firm had paid dividend at ₹3 per share last year. The estimated growth of the company is approximately 6% per year. **06**
1. Determine the cost of equity capital of the company.
2. Determine the estimated market price of the equity shares if the anticipated growth rate of the firm (a) rises to 8%; and (b) falls to 3%.
b. What is activity leverage? Explain its effect on profit. **07**

- Q.4 Write short notes (Any Two):** **14**
1. Significance of cost of capital
2. CAPM approach for determining cost of equity
3. Combined leverage
4. Investment appraisal tools:
(i) Pay back period
(ii) Accounting rate of return