Vidya Vikas Mandal's

Shree Damodar College of Commerce & Economics, Margao-Goa

SY BBA(FS), Semester- III (REGULAR) Semester End Assessment November 2022

BFS GEC 5: FINANCIAL MANAGEMENT

Duration:2 Hours **Maximum Marks:60**

Instructions:

- *Start each question on fresh page.*
- *Figures to the right indicate maximum marks.*
- *Q1 is compulsory*
- *Answer any FOUR from Q 2 to Q.6*

Q1. Write a short note on any FOUR of the following: **(4*3 = 12 Marks)**

a. Financial Management
b. Dividend Decisions
c. Cost of Capital
d. Capitalisation
e. Forms of Dividend

Q2. The functions of Financial Management are categorized into Primary, Subsidiary and routine activities. Discuss **(12 Marks)**

Q3. Paushak Ltd requires additional finance for which it has decided to issue 1000, 9% debentures of Rs 500 at par redeemable after 8 years. Cost of issue is estimated as follows: Underwriting commission 1.5%, Brokerage 0.5% and printing and other expenses Rs 10000.calculate after tax cost of debenture assuming the corporate tax rate is 30%. **(12 Marks)**

Q4. Leverage is the influence of power to achieve something. A firm can use various forms of Leverage to meet the fund requirement. Elucidate the statement. **(12 Marks)**

Q5. The project "A" is having initial cash outlay of Rs. 50000 and it generates a cash inflow of Rs. 20000. Rs 15000, Rs. 25000 and Rs. 10000 in the first four years. Using the present value index method appraise profitability of proposed investment assuming 10% rate of discount. Calculate Profitability Index. **(08 Marks)**

Year	PV Factor at 10%
1	.909
2	.826,
3	.751
4	.683.

B. Mahindra Limited desires to purchase a new machine in order to increase its present level of production. The cost of machine will be Rs. 70000 and the net cash inflows during its life will be as follows:

Minimum rate of return laid down by the management is 25% p.a. Is the investment desirable? Discuss it according to internal rate of return. **(04 Marks)**

Year	1	2	3	4	5
Net Cashflows (Rs)	50000	40000	20000	10000	10000

Discount Factor

Year	1	2	3	4	5
35%	.741	.549	.406	.301	.223
40%	.714	.510	.364	.260	.186

Q6. A ABC Ltd companies project costs Rs 15000/- and has a scarp value of Rs. 3000/-. Its stream of income before depreciation and taxes during first five years is Rs. 3000; Rs. 3600; Rs. 4200; Rs. 4800 and Rs. 6000. Assuming Tax rate at 50% and depreciation on straight line basis, calculate the Average Rate of Return for the project. **(08 Marks)**

B. Find out the NPV for which a project requires an initial investment of Rs. 25000/- and involves a net cash inflow of Rs. 12000 each for 3 years. The cost of funds is 18%. There is no scrap value. The present value of an annuity of Re 1 for 3 years at 8% per annum is Rs. 2.577.

(4 marks)

Year	PV Factor at 8%
1	0.926
2	0.857
3	0.794