Roll No...........

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School of Management & Business Studies
Department of Management
B.COM (H) SEMESTER IV EXAMINATION, 2023
Course- BCH403
FINANCIAL MANAGEMENT

Max.Marks:75

Section – A **(6 x 5 = 30)**

Answer any SIX questions. Each question carries FIVE marks

Q1 - Discuss Wealth Maximization objective with the help of example?

Q2 - A business person borrowing Rs. 80,000 for 25 years at 10% nominal annual interest. How much must your annual payments be if you will completely retire the loan over the 25-year period?

Q3 - Explain NPV with the help of suitable numerical example?

Q4 - Calculate Payback period from project X & Y and also suggest which project is better

Year	Project X	Project Y
0	(1,00,000)	(1,00,000)
1	30,000	20,000
2	30,000	20,000
3	40,000	20,000
4	10,000	20,000
5	10,000	20,000
6	10,000	45,000
7	5000	7000

Q5 - A firm has sales of Rs.10,00,000, variable cost Rs.7,00,000, fixed cost Rs.2,00,000 and Rs.5,00,000 debt at 10% interest. What is the operating, financial and combined leverages?

Q6 - Explain the various relevant Costs in the Cost of Capital and their measurement.

Q7 - Explain theories for irrelevance of dividend decision.

Q8 - Discuss operating cycle in working capital management with the help of chart.

Q9 - The following information has been extracted from the balance sheet of Amazon Ltd

Particulars	Amount in (Lacs)
Equity share capital	800
12% debentures	800
18% term loan	2400
	4000

Determine the weighted average cost of capital of the company. It had been paying dividends at a consistent rate of 20% per annum. Share and debentures are being traded at par. Tax rate is 40%.

Section – B

(3 x 15 = 45)

Answer any THREE questions. Each question carries FIFTEEN marks

Q1 - Discuss long term financing decisions with the help of suitable examples?

Q2 - Assume that 10 years saving annuity of Rs 5000 per year is beginning at year zero. The retirement annuity is to begin 15 years from now (the first payment is to be received in year 15) and has to provide a 20-year annuity. If this plan is arranged through a saving bank that pays interest at the rate of 7% PA on the deposited funds, what is the size of the yearly retirement payment?

Q3 - A project cost of new plant is Rs 60000 and the facility has a life expectancy of 5 years and Rs 10000 salvage value the company tax rate is 35%. The firm uses straight line depreciation. The estimated profit before tax are as follows

Year	profit before depreciation
1	Rs 10000
2	Rs 15000
3	Rs 16000
4	Rs 20000
5	Rs 25000

Compute the following

a) Payback period

b) ARR

c) NPV at 10% discount rate

d) Profitability index at 10% discount rate

e) IRR

Q4 - Z LTD is making of Rs 2000000 and it extends a credit of 90 days to its customers. However, in order to overcome the financial difficulties, it is considered to change the credit policy. The proposed terms of credit and expected sales are given below:

Policy	Terms	Sales
I	75 days	Rs 1800000
II	60 days	Rs 1750000
III	45 days	Rs 1725000
IV	30 days	Rs 1650000
V	15 days	Rs 1500000

The firms has a variable cost of 80% and a fixed cost of Rs 200000. The cost of capital is 15%. Evaluate different proposed policies and which policy should be adopted. (Year may be taken as 360 days)

Q5 – Briefly explain the essentials of working capital management.

Q6 - Discuss dividend policy and also explain the dimension of a dividend policy with help of suitable examples?

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