(i) **Printed Pages: 4** **Roll No. ....**

(ii) **Questions : 9** **Sub. Code : 1 7 8 3 6**

Exam. Code : 0 0 1 6

Bachelor of Commerce 6th Semester

(2055)

FINANCIAL MANAGEMENT

Paper : BCM-602

Time Allowed : Three Hours] **[Maximum Marks : 80**

Note :—(1) Attempt any **FOUR** questions from Section–A, each carries **5** marks.

(2) Attempt any **TWO** questions each from Section–B and Section–C, each carries **15** marks.

SECTION—A

1. (a) What is Lease Financing ? Give its types.

(b) Give essentials of Sound Capital Mix.

(c) Write a short note on Venture Capital.

(d) Mr. Ravi is to receive Rs. 20,000 at the end of 5 years. Rate of interest is 10%. Calculate the present value of above mentioned amount.

(e) Project X involves Initial Capital outlay of Rs. 16,200. Its span is expected to be three years. The cash streams generated by it are expected to be as follows :

Years	Cash inflows (Rs.)
1	8,000
2	7,000
3	6,000

You are required to calculate the IRR.

(f) M Ltd. paid a dividend of Rs. 3.50 per share for the last year. Growth rate is 6% p.a. if the required rate of return is 15%. Calculate :

(i) The value per share.

(ii) If its current price is Rs. 50, what should be the growth rate in the dividends to justify this price ?

SECTION—B

2. "Maximization of profit is regarded as the proper objective of investment decision, but it is not exclusive as maximizing shareholders wealth".

3. "The Finance Manager should take into consideration the time value of money in order to take correct financial decision". Elucidate.

4. A firm whose cost of Capital is 10%, is considering two mutually exclusive projects X and Y, the details of which are :

Particulars	**Project X (Rs.)**	**Project Y (Rs.)**
Investment	**70,000**	**70,000**
Cash Flows Year 1	10,000	50,000
Cash Flows Year 2	20,000	40,000
Cash Flows Year 3	30,000	20,000
Cash Flows Year 4	45,000	10,000
Cash Flows Year 5	60,000	10,000
Total Cash Flows	**1,65,000**	**1,30,000**

Compute the Net Present Value at 10% profitability index and Internal Rate of Return for the two projects :

	Discount Factors						
Year	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**40%**
1	.909	.869	.833	.800	.769	.741	.714
2	.826	.756	.694	.640	.592	.549	.510
3	.751	.658	.579	.512	.455	.406	.364
4	.683	.572	.482	.410	.350	.301	.260
5	.621	.497	.402	.328	.269	.223	.186

5. The following information is taken from the Balance Sheet of A Ltd. as on 31-3-2024 :

Particulars	**Amount (Rs.)**
Equity Share Capital	6,00,000
10% Debentures	6,00,000
15% Term Loan	18,00,000
Total	**30,00,000**

(i) Determine the weighted average cost of Capital of the company. It had been paying dividends at a constant rate of 20% per annum.

(ii) What difference will it make if the current price of Rs. 100 share is Rs. 200 ?

(iii) Determine the effect of Income Tax on the cost of Capital under (a) and (b) above, if the Tax rate is 30%.

SECTION—C

6. How is SEBI governed ? Discuss the powers and functions of SEBI.

7. What do you understand by a stable dividend policy ? Why should it be followed ?

8. (i) Find the Operating Leverage from the following data :

Sales	–	Rs. 50,000
Variable Cost	–	60%
Fixed Cost	–	12,000

(ii) Find the Financial Leverage from the following data :

Net Worth	–	Rs. 25,00,000
Debt Equity	–	3/1
Interest Rate	–	12%
Operating Profit	–	Rs. 20,00,000

9. ABC Ltd. presents the following Profit and Loss Account :

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Material	12,00,000	By Sales	25,00,000
To Wages	2,00,000		
To Manufacturing Expenses (including Depreciation Rs. 1,00,000)	3,00,000		
To Office Expenses	75,000		
To Administrative Expenses	75,000		
To Selling and Distribution Expenses	2,40,000		
To Net Profit	4,10,000		
	25,00,000		**25,00,000**

Company's maintenance policy is as follows :

(i) Finished Goods one and half month's sale.

(ii) Material on the basis of one month consumption.

(iii) Work-in-progress is equal to one month's production in terms of material and half month's wages and manufacturing expenses.

(iv) Credit given by suppliers is two months and extended to customers is three months.

(v) All expenses are in one month arrear but selling and distribution are paid two months in advance.

(vi) The Company would like to keep Rs. 50,000 in cash at all times. A safety margin of 10% on total Current Assets is desirable.

Estimate the Working Capital requirements for the company.