



# Sanjay Ghodawat University, Kolhapur

2018-19

Established as State Private University under Govt. of Maharashtra. Act No XL, 2017

EXM/P/09/01

**Year and Program: 2018-19**

**School of Commerce and Management**

**Department of BCOM**

**Course Code: CBC201**

**Course Title: Fundamentals of Financial Management**

**Semester – III**

**Date:- 30-11-2018**

**End Semester Examination (ESE)**

**Time: 3 Hours Max Marks: 100**

*2:30 pm to 5:30 pm*

## Instructions:

- 1) All questions are compulsory.
- 2) Give live examples wherever necessary.
- 3) Figures to the right indicate full marks Bloom's Levels & Course Outcome Numbers

- Q.1 Solve the following.**
- |  | Marks | Bloom's Level  | CO  |
|--|-------|----------------|-----|
| a) Write a note on nature of Financial Management.   | 07    | L <sub>2</sub> | CO1 |
| OR   |       |                |     |
| a) Discuss the three broad areas of Financial Decision Making                                  | 07    | L <sub>2</sub> | CO1 |
| b) If you invest Rs.5000 today at a compound interest 10%, what will be its future value after | 08    | L <sub>3</sub> | CO2 |
| i. 5 years   |       |                |     |
| ii. 10 years   |       |                |     |
| OR   |       |                |     |
| b) What is the relation between Risk and Return as per CAPM Approach.                          | 08    | L <sub>3</sub> | CO2 |
- Q.2 Solve the following**
- a) The expected cash flows of a project costing Rs.1,00,000 initially are as follows

1	20,000
2	30,000
3	40,000
4	50,000
5	30,000

The cost of Capital is 12%. Calculate Payback period and Accounting Rate of Return for the above if value of investment at the end of 5<sup>th</sup> year is NIL.

OR

- a) For the above data calculate Net Present Value. 07 L<sub>3</sub> CO3
- b) Techtron Ltd. has provided you for the following, calculate IRR if 08 L<sub>3</sub> CO4  
initial cost is Rs.100,000

Year	Cash Flow
1	30,000
2	30,000
3	40,000
4	45,000

cost of Capital is 15%

OR

- b) The expected cash flows of a project costing Rs.1,00,000 initially are as 08 L<sub>3</sub> CO4  
follows if cost of Capital is 18% Calculate IRR.

Year	Cash Flow
1	20,000
2	30,000
3	40,000
4	50,000
5	30,000

Q.3

**Solve any Two**

- a) Elucidate functions of Finance Managers in business organization 08 L<sub>2</sub> CO1
- b) Write a note on Types of Risk. 08 L<sub>2</sub> CO2
- c) Calculate Net Present value for the following data if Cost of Capital is 08 L<sub>2</sub> CO3  
10% and Initial Investment required for the Project is Rs.10,00,000

Year	Cash Flow
1	200,000
2	200,000
3	3,00,000
4	3,00,000
5	3,50,000

- d) Mr. A is considering investing Rs 2,50,000 in a business. 08 L<sub>2</sub> CO4  
 The cost of capital for the investment is 15%.  
 Following cash flows are expected from the investment:

Year	Rs
0	(250,000)
1	50,000
2	100,000
3	200,000

Calculate IRR for the above.

**Q.4 Solve any Two**

- a) Discuss the long term sources of financing. 09 L<sub>3</sub> CO5  
 b) What are the three steps involved in calculating Weighted Average Cost of Capital. 09 L<sub>3</sub> CO5  
 c) The Capital Structure of Adamus Ltd. in book value terms as follows 09 L<sub>3</sub> CO5

Equity Capital (20 Million shares @ Rs.10 each)	200 Million
12% Preference Capital (5,00,000 shares@ Rs100 each)	50 Million
Retained Earnings	350 Million
14% Debentures (120,000 Debentures @ Rs.100 each)	120 Million
13% Term Loan	80 Million

The next expected dividend per share is Rs.2. The dividend per share is expected to grow at the rate 12%. The market price per share is Rs.50. Preference stock is redeemable after 10 years and sellable @ Rs.85 per share. Debentures are redeemable after 5 years are selling for Rs.90 per debenture. The Tax rate is 30 per cent. Calculate average Cost of Capital.

**Q.5 Solve any Two**

- a) A firm sells its products for Rs 50 per unit has variable operating costs of Rs.30 per unit and Fixed operating cost of Rs.5,000 per year. Its Current Level of Sales is 300 units. 09 L<sub>3</sub> CO6  
 Determine the degree of Operating Leverage. What will happen to EBIT if sales rise to 350 units?

- b) A company has Rs.100,000, 10% Debentures. It is in 35% Tax bracket. Assuming that EBIT is Rs.50000 calculate EPS if number of shares are 5,000. 09 L<sub>3</sub> CO6

Will your answer change if EBIT increases upto Rs. 70,000?

- c) Calculate Operating and Financial Leverage for both of organization. 09 L<sub>3</sub> CO6

	A	B
Sales Price per unit	50	32
No. of Units sold	25000	15000
Variable Cost per unit	20	16
Fixed operating Cost	80000	40000
Interest	10000	8000

**Q.6 Solve any Three**

- a) Multiplex Ltd. has the following details . Calculate Cost of Debt 06 L<sub>2</sub> CO5

Face Value	Rs.1,000
Interest Rate	12%
Remaining Period to Maturity	4 years
Maturity Price	Rs.1040
Tax Rate	@30%

- b) Calculate Cost of Preference Shares of Multiplex Ltd 06 L<sub>2</sub> CO5

Face Value	Rs.100
Dividend Rate	11%
Remaining Period to Maturity	5 years
Maturity Price	Rs.100

- c) 06 L<sub>2</sub> CO6

Debentures	75,00,000
Interest Rate	12%
EBIT	20,00,000
Operating Fixed Cost	Rs.10,00,000

Calculate Operating Leverage

- d) What do you mean by Combined Leverage? With what type of risk Combined Leverage is associated? 06 L<sub>2</sub> CO6

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