Seat No:______________ Enrollment No:______________

# PARUL UNIVERSITY
## FACULTY OF COMMERCE
### B.Com.(Hons) Summer 2018 – 19 Examination

**Semester: 4** **Date: 06/04/2019**
**Subject Code: 16100253** **Time: 10:30am to 1:00pm**
**Subject Name: Financial Management –I** **Total Marks: 60**

**Instructions:**
1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

**Q.1 Do as directed.**

**A) Multiple choice type questions. (Each of one mark)** **(06)**

**1.** Time value of money indicates that
a) A unit of money obtained today is worth more than a unit of money obtained in future
b) A unit of money obtained today is worth less than a unit of money obtained in future
c) There is no difference in the value of money obtained today and tomorrow
d) None of the above

**2.** If the nominal rate of interest is 10% per annum and there is quarterly compounding, the effective rate of interest will be:
a) 10% per annum
b) 10.10 per annum
c) 10.25%per annum
d) 10.38% per annum

**3.** Finance Function comprises
a) Safe custody of funds only
b) Expenditure of funds only
c) Procurement of finance only
d) Procurement & effective use of funds

**4.** Financial management process deals with
a) Financing decisions
b) Investments
c) Both a and b
d) None of the above

**5.** The only feasible purpose of financial management is
a) Wealth Maximization
b)Sales Maximization
c) Profit Maximization
d) Assets maximization

6. Financial management mainly focuses on
a) All elements of acquiring and using means of financial resourcesfor financial activities
b) Efficient management of every business
c) Brand dimension
d) Arrangement of funds

**B) Definitions / One-liners / Terms. (Each of one mark)** **(06)**

1. Net Present Value (NPV).
2. Future Value
3.Zero Discount Bond
4.Financial Leverage
5.Dividend Decision
6Financial Management

**Q.2 Numerical / Short Note Questions. (Each of 04 mark)** **(12)**

1. Determine the Future Value of the cash inflows of Rs.3000 in the Beginning of each year for next 4 years. The appropriate compound rate is 14%.
2. Do You Think NPV measurement of Capital Budgeting is better than IRR?Why?
3. The following information is available for ABC & Co.

EBIT RS.11,20,000

PBT Rs. 3,20,000

F.C Rs. 7,00,000

Calculate % change in EPS if the sales are expected to increase By 5%.

You have find out O.L, F.L, C.L?

**Q.3 Answer the following. (Any Three)** **(18)**

1. Suppose an Investor want to purchase a five year , Rs. 1000 par value Bond, bearing a Nominal rate of Interest of 7 %per annum. The Required rate of Return is 8%. What is the current market price of Bond if it matures at par?
2. Define Capital Budgeting Decision. Discuss the DCF & Non-DCF methods of Capital Budgeting.
3. Difference between operating leverage & Financial Leaverage
4. The following information is available about a company,
   Ke=15 %, EPS =20
   Assume that the return on investment R= 18%, 15%, 12 %
   Show the effect of dividend policy on the market price of shares using Walter's model When D/P Ratio is 0 % , 25% , 50 %.

**Q.4 Answer the following. (Any two)** **(18)**

1. For the project X &Y , the following cashflows are given; (08 Marks)

| Project | C0 | C1 | C2 | C3 |
|---|---|---|---|---|
| M | -750 | 350 | 350 | 159 |
| N | -750 | 250 | 250 | 460 |

Rank the project as per

1. NPV (10% discount rate) 2. IRR 3. PI 4. PB 5. Discounted PB 6. ARR.

2. Define Bond. Discuss the Features of Bond and Types of Bond with Examples.
3. From the following particulars, prepare a statement showing the working capital requirement to produce 12,000 units per annum:

| **Elements of cost** | **Cost per unit** |
|---|---|
| Raw materials<br>Labour charges<br>Overheads | 5<br>3<br>2 |
| **Total cost Rs.** | **10** |
| Profit @ 20% on cost | 2 |
| **Selling price Rs.** | **12** |

**Additional information:**

**1.**Raw Materials are to remain in store on an average: 1 Months

2.Materials are in process on an average :2 Months

3. Finished goods in warehouse on an average :3 Months

4. Credit period allowed to customers(Debtors):4 Months

5.Credit period allowed by suppliers( Creditors): 2 Months

It may be assumed that production and overheads accrue evenly throughout the year.