

PARUL UNIVERSITY
FACULTY OF COMMERCE
B.Com.(Hons)/Winter 2018 – 19 Examination

Semester: 4

Subject Code: 16100253

Subject Name: Financial Management -1

Date: 01/12/2018

Time: 2:00 pm to 4:30 pm

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. 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
2. What is a full form of EBIT ?
 - a) Earning Before interest & Tax
 - b) Eligible Before interest & Tax
 - c) Earning Basically Interest & Tax
 - d) Earning Based Introduce & Tax
3. Statement of cash flows are included
 - a) Operating Activities
 - b) Investing Activities
 - c) Financial Activities
 - d) All Of the above
4. Financial Management is mainly concerned with _____.
 - a) all aspects of acquiring and utilizing financial resources for firms activities.
 - b) arrangement of funds.
 - c) efficient Management of every business.
 - d) profit maximization
5. A fixed rate of _____ is payable on debentures
 - a) Dividend
 - b) Commission
 - c) Interest
 - d) Brokerage
6. A company may raise capital from the primary market through _____.
 - a) Public issue
 - b) Rights issue
 - c) Bought out deals
 - d) All of the above

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

1. Time Value of Money .
2. Financial Management.
3. Budgeting.
4. Dividend.
5. Leverage.
6. Working Capital Management.

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

1. Short note on Waler's Dividend Model.
2. Determine the present value of the cash inflows of Rs.3000 at the end of each year for next 4 years & Rs7000 & Rs.1000 respectively, at the end of the year 5 & 6. The appropriate discount rate is 14%.
3. Difference Between NPV/IRR

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

1. The expected before-tax incomes (Consisting of dividend and capital gains) on share of firms X, y & Z are given below:

Share	Dividend income(RS)	Capital gain(Rs)
X	0	10
Y	5	5
Z	10	0

Suppose, that the current price of each share is Rs. 60 Further, an investor is in 50 % tax bracket & Capital gain tax rate is 20 %. Which share will give highest after tax-return to the investor? Now suppose that the each share was expected to have expected after-tax yield of 12% for the investor. Determine the price of each share.

2. Define the Investment Decision. Discuss the different types of Investment Decision

3. Define financial management. Discuss the function of financial management.

4. A company earns Rs. 10 per share at an internal rate of return 15%. The firm has a policy of paying 40% of earning as dividend. If the required rate of return is 10%, determine the price of Share under Walter's Model and Gordon's Model.

Q.4 Answer the following. (Any two)

(18)

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

Project	C0	C1	C2	C3
X	-750	350	350	159
Y	-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. A Perma cost Sheet of a Company provides the following Particulars:

Unit	Amt per
Raw Material	80
Direct Labour	30
Overheads	60
Total cost	170
Profit	30
Selling price	200

The following further particulars are available:

(a) Raw material in stock, on an average one month; material in process, on average half a month; finished goods in stock on an average one month.

(b) Credit allowed by suppliers is one month; credit allowed to debtors is two months late in payment of wages is one and a half weeks, late in payment of overhead expenses is one month; one-fourth of the output is sold against cash, cash in hand & at bank is expected to be Rs.25,000.

You are required to prepare a statement showing working capital needed to finance a level of activity of 1,04,000 units of production .you may assume that production is carried on evenly throughout the year,& Wages & overheads accrue similarly.

3. Discuss capital budgeting techniques in details.