**Seat No:_______________** **Enrollment No:_______________**

# PARUL UNIVERSITY

## FACULTY OF COMMERCE

### I-B.Com. LLB (Hons) Winter 2018 – 19 Examination

**Semester: 4** **Date:19-12-2018**
**Subject Code: 16100253** **Time:10:30 am to 01:00 pm**
**Subject Name: Financial Management -1** **Total Marks: 60**

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**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. nominal rate of interest is 10% per annum and there is quarterly compounding, the effective rate of interest will be If the:
   a) 10% per annum b) 10.10 per annum
   c) 10.25%per annum d) 10.38% per annum
2. Statement of cash flows are included
   a)Operating Activities b)Investing Activities
   c)Financial Activities d)All Of the above
3. 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
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 company may raise capital from the primary market through ______________.
   a) Public issue b) Rights issue
   c) Bought out deal d) All of the above
6. . A fixed rate of _________ is payable on debentures
   a) Dividend b) Commission
   c) Interest d) Brokerage

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

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

**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.Diffrence Between NPV/IRR

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

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

3. 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 Gorden's Model.

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

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

1. Discuss capital budgeting techniques in details.

2. 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.

3. A Pro forma 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;lag in payment of wages is one and a half weeks, lag 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.