Sanjay Ghodawat University, Kolhapur 2019-20
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Year and Program 2019-20 S.Y. B.COM	School of Commerce and Management	Commerce
Course Code CBC 201	Fundamentals of Financial Management	Semester –(III)
Monday 18 Nov 19	End Semester Examination	Time: 3 hrs, Marks: 100 10.30 am to 1.30 pm.

Instructions: 1) All Questions are compulsory.

			Marks	Level	COs
Q.1	**State following statements are True or False (Any Five)**				
a)	1)	The goal of the firm should be to maximize earnings per share.	10	L1	CO1
	2)	The long-run objective of financial management is to maximize return on investment.		L1	CO1
	3)	The dividends are not cumulative for equity shareholders, that is, they cannot be accumulated and distributed in the later years.		L1	CO2
	4)	When Profitably index is greater than zero the project should be rejected		L1	CO2
	5)	Time value of money indicates that, A unit of money obtained today is worth more than a unit of money obtained in future.		L1	CO3
	6)	The time value of money is not a useful concept in determining the value of a bond or in capital investment decisions.		L1	CO3
b)	**Answer the short questions (Any Five)**		10		
	1)	What is IRR?		L1	CO4
	2)	Is there any cost of Retained earnings?		L1	CO4
	3)	Define WACC?		L1	CO5
	4)	What is operating leverages?		L1	CO5
	5)	Define NPV.		L1	CO6
	6)	Meaning of Combined Leverage?		L1	CO6
Q.2	**Answer the following**				
a)	The role of finance manager is changing rapidly, contrast with traditional view?		10	L2	CO1
	OR				
a)	Discuss Wealth and Profit maximization is the objective of finance manager?		10	L2	CO1

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b) What is the balance in an account at the end of 10 years if Rs. 2,500 is deposited today and the account earns 4% interest if. 10 L3 CO2

a) Compounded annually?
b) Compounded quarterly?

OR

b) Robert needs Rs.24,000 at the end of Year 7. Robert will make seven end-of-year payments, with the first payment occurring one year from today. You can treat this as an annuity and calculate the FV of this annuity at the end of Year 10 L3 CO2

Q.3 **Answer the following**

a) Why is the capital budgeting process such an important process? Brief the methods of it? 10 L3 CO3

OR

a) Calculate Pay back Period from Projects and Give comments? A company has to make choice between two Projects namely A & B. Initial Investment of Rs.1,35,000 and Rs.2,40,000 Respectively. The Annual income are as follows 10 L3 CO3

Year	Project A	Project B
1	-----	60000
2	30000	84000
3	132000	96000
4	84000	102000
5	84000	90000

b) Compare and contrast NPV & IIR method of Investment Decision? 10 L4 CO4

OR

b) Calculate NPV. From Project A & B, and advice which project has to accept. the company's cost of capitals 10% (Use Data of Q. 3 a) 10 L4 CO4

Q.4 **Answer the following (any Two)**

a) A company raised preference share capital of Rs.1,00,000 by the issue of 10% preference share of Rs.10 each. Find out the cost of preference share capital when it is issued at (i) 10% premium, and (ii) 10% discount 10 L3 CO5

b) Why do we calculate company's cost of capital? What are the uses and limitations of it? 10 L3 CO5

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c) A firm has the following capital structure and after-tax costs for the different sources of funds used — 10 L4 CO5

Source of Funds	*Amount* Rs.	*Proportion* %	*After-tax cost* %
Debt	15,00,000	25	5
Preference Shares	12,00,000	20	10
Equity Shares	18,00,000	30	12
Retained Earnings	15,00,000	25	11
Total	60,00,000	100	

You are required to compute the weighted average cost of capital.

Q.5 **Answer the following (Any Two)**

a) What is meant by the term leverage? With what type of risk is leverage generally associated? — 10 L2 CO6

b) A firm has sales of Rs. 10,00,000, variable cost of Rs. 7,00,000 and fixed costs of Rs. 2,00,000 and debt of Rs. 5,00,000 at 10% rate of interest. Calculate the operating, financial and combined leverages. — 10 L4 CO6

c) — 10 4 CO6

(i) Find the operating leverage from the following data:

Sales	Rs. 50,000
Variable Costs	60%
Fixed costs	Rs. 12,000

(ii) Find the financial leverage from the following data:

Net Worth	Rs. 25,00,000
Debt/Equity	3/1
interest rate	12%

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