VCD: 7/12/23 FYBAF FINANCIAL MANAGEMENT SEM: I 75 Marks 21/2 Hours

FYBAF Extra

Q.1 A] State whether the following statements are true or false. (Any 8) (08 Marks)

1. Financial Management is broadly concerned with acquisition and use of funds by a business organization.
2. Profit maximization goal is inclusive of wealth maximization.
3. Operating leverage = (sales - variable cost / operating cost.)
4. High operating as well as high financial leverage is the safest approach to financial management.
5. Certificate of deposit is a salelable device in the secondary market.
6. All liabilities shown in the balance sheet are sources of finance.
7. Cost of retained on need not be calculated as it does not involve any cost.
8. As per earning yield method ke is calculated as Dividend / Net proceeds.
9. In the NPV method the discount rate is normally equal to the cost of capital which is internally generated in the firm.
10. Sinking fund is created to accumulate the specified amount of sum in future by way of regular periodic payment for some specific purpose.

Q.1 B] Match the following. (Any 7) (07 Marks)

Column I	Column II
1. Equity share capital.	a. Discounted cash flow
2. Debentures.	b. Financial decision
3. Operating leverage.	c. Short term source of finance
4. Cost of preference shares.	d. EBIT
5. Present value.	e. Owed fund
6. Operating cost.	f. Combined leverage / financial leverage
7. Wealth maximization.	g. Contribution
8. Investment in new projects.	h. Own fund
9. Redeemable debenture.	i. Increase in market price for share
10. Advances from customers.	j. Dividend

Q.2 A] Shyam fixed deposit has a maturity value of Rs. 1,30,000. It is initially purchased for Rs. 1,00,000 for 3 years. Calculate simple interest rate per year. **(08 Marks)**

Q.2 B].Find out the present value of the following cash flows. Discounted rate @10%. **(07 Marks)**

Year	1	2	3	4	5
Cash flows	1,000	2,000	3,000	4,000	5,000

OR

Q.2 A] Assume you invest in a deposit of RS. 10,000 at the end of each year for the next 3 years in an account paying 12% p.a. compounded annually. How much will you have in the account at the end of third year? **(08 Marks)**

Q.2 B]. Calculate the PV of Rs. 20,00,000, Rs.30,00,000, Rs.40,00,000 receivable at the end of 1st year, 2nd year and 3Rd year respectively at 10%p.a. **(07 Marks)**

Q.3 Calculate the operating leverage, financial leverage and the combined leverage for the following firms: **(15 marks)**

Particulars	N	S	D
Production (in units)	17,500	6,700	31,800
Fixed Costs (Rs.)	4,00,000	3,50,000	2,50,000
Interest on Loan (Rs.)	1,25,000	75,000	Nil
Selling Price per unit (Rs.)	85	130	37
Variable cost per unit (Rs.)	38.00	42.50	12.00

OR

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Q.3 From the following information calculate the operating leverage, financial leverage and combined leverage for the following firms. **(15 marks)**

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Particulars	P	Q	R
Outputs (in units)	60,000	15,000	1,00,000
Total operating cost.	1,90,000	3,65,000	35,000
Variable cost p.u(% of sales).	33 1/3	30	20
10% borrowed capital (Rs).	4,00,000	8,00,000	NIL
Selling price p.u (Rs).	6.00	50.00	1.00
Tax rate.	40%	40%	40%

Q.4.A] A company issues 25000,14,% debentures of Rs. 1000 each. The debentures are redeemable after the expiry period of 5 years. Tax rate applicable to the company is 35% (including surcharge and education cess) to calculate the cost of debt after tax if debentures are issued at 5% discount, with 2% floatation cost (on face value). **(08 Marks)**

Q.4.B]. A company offers equity shares of Rs.10 each for public subscription at a premium of 5%. The company pays 2% of the issue price as underwriting commission. The rate of dividend expected by equity shareholders is 30%. You are required to compute the cost of equity capital. Will your cost of equity capital be different if it is calculated on the basis of present market value of equity share which is only Rs. 13. **(07 Marks)**

OR

Q.4. Geeta limited has furnish the following information: **(15 Marks)**

Particulars	Rs
Earning per share (EPS).	4.00
Dividend payout ratio.	25%
Market price per share.	40
Rate of tax.	30%
Growth rate of dividend.	8%

Q.5 (a). Explain various sources of finance available to an enterprise in India **(08 Marks)**

(b) Differentiate between Financial Management and Financial Accounting **(07 Marks)**

OR

Q.5 Write a short note on (Any 3) **(15 Marks)**

1. Weighted Average cost of capital (WACC).
2. Distinguish between Operating Leverage and Financial Leverage.
3. Wealth Maximization.
4. Short Term Loans.
5. Retained Earnings