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PRESIDENCY UNIVERSITY BENGALURU

**SET A**

SCHOOL OF LAW

**END TERM EXAMINATION – MAY / JUNE 2024**

**Semester :** Semester IV - 2022

**Course Code :** BCL2012

**Course Name :** Financial Management

**Program :** B.Com LLB Honors

**Date :** June 18, 2024

**Time :** 09.30am to 12.30pm

**Max Marks :** 100

**Weightage :** 50%

**Instructions:**

1. *Read all questions carefully and answer accordingly.*
2. *Question paper consists of 3 parts.*
3. *Scientific and non-programmable calculator are permitted.*
4. *Do not write any information on the question paper other than Roll Number.*

**PART A**

**ANSWER ANY FOUR QUESTIONS 4Q X 5M = 20 MARKS**

* 1. Finance is the life blood of every organization to manage that is an important task. SO that there is a separate part as financial management and the finance should be managed well because there are some goals to achieve through financial management. Explain about the financial management and goals of financial management.

(CO1) [Knowledge]

* 1. Find out the present value of Rs.3000 received at the end of the year, if the discount rate is 9% p.a.

(CO2) [Knowledge]

* 1. Compute the 3 types of leverages from the following information.

•Selling price per unit Rs.8

•Variable cost per unit Rs.5

•Fixed cost Rs.1,20,000

•10% debt capital Rs.3,00,000

•Number of units sold 90,000

(CO3) [Knowledge]

* 1. Investing in correct project is a big challenge for the finance manager. Investment decision is a crucial one for the company also. There is word associated with investment decision that is capital budgeting. Describe the meaning and need of capital budgeting.
  2. Describe the various motives of holding cash.

(CO4) [Knowledge]

(CO5) [Knowledge]

* 1. To get the suitable reward for one’s effort is very important to inspire him for the continuation. Considering this Dividend policy is an important aspect for every organization. Describe the dividend policy and types of dividend policy.

(CO4) [Knowledge]

**PART B**

**ANSWER ANY FOUR QUESTIONS 4Q X 10M = 40 MARKS**

* 1. Planning is an Important step for every project. So as finance is very important factor for organization to. It is very important to do a proper planning for finance. In this case there are various factors to be considered while doing the financial planning. Explain the various factors affecting the financial planning.

(CO1) [Application]

* 1. Calculate the present value of Rs.30,000/- receivable after 4 years at the discount rate of 12% . Calculate Annually, Semi-annually and Quarterly.

(CO2) [Application]

* 1. A company has EBIT of Rs.4,80,000 and its capital structure consists of the following securities.

•Equity share capital (10each) Rs.4,00,000

•12% preference shares Rs.6,00,000

•14.5% debentures Rs.10,00,000

The company is facing fluctuations in its sales. What would be the change in EPS%. Tax rate is 35%

* + 1. If EBIT of the company increased by 25% and
    2. If EBIT of the company decreased by25%
  1. A company has to choose one of the following two actually exclusive machine. Cash inflows

|  |  |  |
| --- | --- | --- |
| Year | Machine X | Machine Y |
| 0 | 20,000 | 20,000 |
| 1 | 5,500 | 6,200 |
| 2 | 6,200 | 8,800 |
| 3 | 7,800 | 4,300 |
| 4 | 4,500 | 3,700 |
| 5 | 3,000 | 2,000 |

Calculate NPV and interpret the results.

(CO3) [Application]

(CO4) [Application]

* 1. The correct and proper amount of fund is necessary for all business for its smooth running. Having adequate working capital also is very necessary for the smooth running of business. There are various advantages and challenges of having of adequate working capital. Prepare a note on advantages and disadvantages of adequate working capital.

(CO5) [Application]

* 1. Ever shine company is considering the purchase of machinery. Two machinery, X and Y each costing Rs.5,00,000 are available.

Cash inflows are expected to be as under:

Calculate PBP

|  |  |  |  |
| --- | --- | --- | --- |
| Years | Machine X | Machine Y |  |
| 2001 | 1,50,000 | 50,000 |  |
| 2002 | 2,00,000 | 1,50,000 |  |
| 2003 | 2,50,000 | 2,00,000 |  |
| 2004 | 1,50,000 | 3,00,000 |  |
| 2005 | 1,00,000 | 2,00,000 |  |
|  |  |  | (CO4) [Application] |

**PART C**

**ANSWER ANY TWO QUESTIONS 2Q X 20M = 40 MARKS**

* 1. A) Calculate the future value at the end of 4 years of the following series of payments at 9% rate of interest

•Rs.1000 at the end of first year

•Rs.2000 at the end of second year

•Rs.3000 at the end of third year

•Rs.4000 at the end of fourth year**.**

**B)** Calculate the future value of Rs.7000 invested for 5 years at a rate of interest of 15% compounded half yearly and Quarterly.

(CO2) [Analysis]

* 1. •A firm has a capital structure exclusively comprising of ordinary shares amounting Rs.10 lakhs. The firm now wishes to raise additional capital of Rs.10 lakhs for expansion. The firm has four alternatives financial plans:
     1. It can raise the entire amount in the form of equity shares.
     2. It can raise 50% as equity capital and 50% of 6% debentures.
     3. It can raise the entire amount as 6%debentures
     4. It can raise 50% as equity capital and 50% as 5% preference shares.

The existing EBIT is Rs.1,20,000, tax rate is 35%. Outstanding ordinary shares 10,000 and which is the market plan should the firm select.

(CO3) [Analysis]

* 1. A firms cost of capital is 10%. It is considering two mutually exclusive projects X and Y. The details are given below

|  |  |  |
| --- | --- | --- |
| Cash flow | Project X | Project Y |
| 0 | 1,40,000 | 1,40,000 |
| 1 | 20.000 | 1,20,000 |
| 2 | 40,000 | 80,000 |
| 3 | 60,000 | 40,000 |
| 4 | 90,000 | 20,000 |
| 5 | 1,20,000 | 20,000 |
| Compute :   1. Pay back Period 2. Net Present value   C) Profitability Index |  |  |

(CO4) [Analysis]