

S. No.: 109

BATCH: 2016

Reg. No.:

END OF SEMESTER EXAMINATIONS, APRIL / MAY - 2019
FINANCIAL AND INVESTMENT MANAGEMENT
SUBJECT CODE: 16UAPA20

MAJOR : B.COM (PA)
TIME : 3 HOURS

SEMESTER : VI
MAX. MARKS: 75

SECTION - A (10 X 1 = 10)

Answer ALL the questions:

1. What do you mean by wealth maximization?
2. What do you mean by time value of money?
3. Define composite leverage.
4. What do you understand by cost of equity capital?
5. What is meant by pay-back period?
6. List out any two advantages of IRR.
7. What do you mean by speculation?
8. Bring out any two objectives of investment.
9. What is meant by valuation of return?
10. What do you mean by LIC?

SECTION - B (5 X 4 = 20)

Answer any FIVE questions:

11. Bring out the importance of Financial Management.
12. State the purpose of short term finance. <http://www.tnstudy.com>
13. Sri Ram Industries Ltd issued 10,000 10% debentures of Rs.100 each. The tax rate is 50%. Calculate the before tax and after tax cost of debt if the debentures are issued.
a) at par b) at a premium of 10% c) at a discount of 10%
14. From the following estimates, calculate the average amount of working capital required

Per annum (Rs.)

- | | |
|--|----------|
| a) Average amount locked up in stock: | |
| Stock of finished goods and work-in-progress | 10,000 |
| Stock of stores, materials etc. | 8,000 |
| b) Average credit given: | |
| Local Sales 2 week's credit | 1,04,000 |
| Outside the state 6 week's credit | 3,12,000 |
| c) Time available for payments: | |
| For purchase 4 weeks | 78,000 |
| For wages 2 weeks | 2,60,000 |
| Add 10% to allow for contingencies. | |

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15. A Company proposing to expand its productions can go in either for an automatic machine costing Rs.2,24,000 with an estimated life of $5\frac{1}{2}$ years. Or an ordinary machine costing Rs.60,000 having an estimated life of 8 years. The annual sales and costs are estimated as follows:

	Automatic machine Rs.	Ordinary machine Rs.
Sales	1,50,000	1,50,000
Costs:		
Material	50,000	50,000
Labour	12,000	60,000
Variable Over heads	24,000	20,000

Compute the comparative profitability of the proposals under the pay-back period and post pay-back period. Ignore income tax.

16. Briefly explain the nature of Investment.
 17. Distinguish between Investment and Speculation.
 18. State the functions of Commercial Bank.

SECTION - C (3 X 15 = 45)

Answer any THREE questions:

19. Describe the various sources of Finance.
 20. The following information relates to Rose Ltd. Earnings per share (EPS) Rs.10; Cost of Capital(k) 10%; Rate of return(r) 15% .

Determine the market price per share under the Gordon model, is retention is

- a) 60% b) 40% c) 10%

21. A Company has to choose one of the following two mutually exclusive projects. Investment required for each projects is Rs.15,000. Both the projects have to be depreciated on Straight Line basis. The tax rate is 50%.

Year	Profit before depreciation	
	Project A (Rs.)	Project B (Rs.)
1	4,200	4,200
2	4,800	4,500
3	7,000	4,000
4	7,000	5,000
5	2,000	10,000

Calculate pay-back period.

22. Differentiate between Shares and Debentures.
 23. Explain the types of Mutual Funds.
