

END OF SEMESTER EXAMINATIONS, APRIL/MAY 2018
FINANCIAL AND INVESTMENT MANAGEMENT
SUBJECT CODE: BUAPA29

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

2)

SEMESTER: VI
MAX. MARKS: 75

SECTION - A (10 X 1 = 10)

Answer ALL questions:

1. Define Financial Management.
2. State any two short term Sources of Finance.
3. What is Cost of Capital?
4. What do you mean by Financial Leverage?
5. What do you mean by Working Capital?
6. What is Pay Back Period?
7. Name any two objectives of Investment Management.
8. Mention the various forms of investment alternatives.
9. What is Portfolio Revision?
10. What is Formula Plan?

SECTION - B (5 X 4 = 20)

Answer any FIVE questions.

11. Explain the scope of Finance Functions.
12. Write brief note on:
 - a. Cash credits
 - b. Overdraft
13. A 5-year Rs.100 debenture of a firm can be sold for a net price of Rs.96.50. The coupon rate of interest is 14 per cent per annum, and the debenture will be redeemed at 5 per cent premium on maturity. The firm's tax rate is 40 per cent. Compute the after-tax cost of debenture.
14. Find the operating leverage from the following:

Sales	Rs.5,00,000
Variable costs	60%
Fixed costs	Rs.1,20,000
15. From the following information calculate the net present value of the project with discount rate of 10%.

Particulars	Project X
Initial Investment	Rs.20,000
Estimated Life	5 Years
Scrap Value	Rs.1,000

The profits before depreciation and after taxes (cash flow) are as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
Project X	5,000	10,000	10,000	3,000	2,000

16. Enumerate the determinants of Working Capital Requirements in a Business.

17. Is investment different from Speculation? Explain.
 18. What is Capital Asset Pricing Model theory and state its Assumptions.

SECTION - C (13 X 15 = 45)

Answer any THREE questions:

19. State the objectives of Financial Management and Explain how *Weighted Marginal Cost* is superior than Profit Maximization.

20. The capital structure of Mayur Limited is as follows:

- Equity capital Rs. 20,00,000 in shares of Rs. 100 each.
- 10% debentures of Rs. 20,00,000

Sales increased by 25% from 2,00,000 units to 2,50,000 units.

The selling price is Rs. 20 per unit. Variable costs Rs. 12 per unit and fixed costs Rs. 4,00,000. The company is in 50% Tax bracket. You are required to calculate at Rs. 2,00,000 units and 2,50,000 units respectively the following:

- EPS
- Operating Leverage
- Financial Leverage

21. X & Co. is desired to purchase a business and has consulted you and one point on which you are asked to advise them in the average amount of working capital which will be required in the first year's working.

You are given the following estimates and are instructed to add 10% to your computed figure to allow for contingencies.

Particulars	Figures for the year (Rs)
Amount blocked up for stocks:	
Stock of finished product	5,000
Stock of stores, materials, etc.	8,000
Average credit given:	
Inland sales - 6 weeks credit	3,12,000
Export sales 1½ weeks credit	78,000
Lag in payment of wages and other outgoings:	
Wages - 1½ weeks	2,50,000
Stocks of materials, etc. - 1½ months	48,000
Rent, royalties, etc. 6- months	10,000
Clerical staff - ½ months	62,400
Manager ¼ months	4,800
Miscellaneous expenses ¼ months	48,000
Payment in advance:	
Sundry expenses (paid quarterly in advance)	8,000
Undrawn profit on the average throughout the year	11,000

22. Discuss the factors influencing Investment Decision.
 23. What are the various Formula plans for portfolio evaluation?
