Program/Sem: T.Y.B.Com (A & F) – Sem - V **Course:** FINANCIAL MANAGEMENT-II
Program Code: UGAF03 **Course Code:** 44804

Duration: 2 ½ Hour 0 3 NOV 2025 **Max. Marks:** 75

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Draw neat diagrams wherever necessary.

Q. 1 **Attempt the following.**

A. **Fill in the blanks with an appropriate answer from the alternatives given.(Any 8)** **[08]**

i). The method which uses accrual accounting------

(a) Payback (b) ARR
(c) NPV (d) IRR

ii). If EBIT is more than financial breakeven point then-----

(a) EPS will be Positive (b) EPS will be Negative
(c) No effect on EPS (d) Cash of debt increases

iii). ---- is not an example of modern method of capital Budgeting.

(a) Net Present Value (b) Internal Rate of Return
(c) Accounting Rate of Return (d) Profitability Index

iv). The irrelevance theory of dividend was supported by -----

(a) Walter (b) Modigliani and Miller
(c) Gordon (d) Fayol

v). The cost of an asset is Rs.5, 00,000 and has estimated life of 5 years. The salvage value at the end of 5 years will be Rs. 20,000. The depreciation p.a. under Straight Line Method will be_____

(a) Rs. 20,000 (b) Rs. 40,000
(c) Rs. 96,000 (d) Rs. 1,00,000

vi). The difference between NAV and re-purchase price is -----

(a) Entry Load (b) Exit Load
(c) Expenses (d) Dividend

vii). Return on bonds are termed as -----

(a) Interest (b) Dividend
(c) Premium (d) Bonus

viii) A--- is a graphical depiction of a decision and every potential outcome of making that decision.

(a) Sensitivity Analysis (b) Scenario Analysis

(c) Breakeven Analysis (d) Decision Tree Analysis

ix). ---- assumes to reinvest only positive cash inflows at the firm cost of capital.

(a) MIRR (b) IRR

(c) NPV (d) Discounted Payback

x). Mutual Fund are regulated by ----

(a) RBI (b) SEBI

(c) AMFI (d) NSIM

B. True or False: (Any 7) **[07]**

i). Profitability Index is the ratio between present value of cash inflow to present value of cash outflow.

ii). Profit maximization is a short term objective of financial Management.

iii). Accounting Rate of Return technique of capital Budgeting ignores time value of money.

iv). Walter's Model supports the view that dividend is relevant for the value of the firm.

v). The project with highest in Net present value shall be ranked first.

vi). When credit period is increased, bad debt expenses decreases

vii). Mutual fund schemes offer guaranteed returns to investors.

viii) A mix of various long term finances used by a company is called capital structure.

ix). A decision tree is a diagram representing a decision problem as a series of decision to be taken under conditions of uncertainty.

x). Business Strategy focuses on specific market segment or business unit.(SBU)

Q. 2 Attempt either A or B. **[15]**

A. a) Shree products want to introduce a new product with estimated sales life of 5 years. The manufacturing equipment will cost Rs 25, 00,000 with scrap value of 1, 50,000 at the end of 5 years. The working capital requirement is Rs 2,00,000 which will be realized after 5 years. The profit before depreciation and tax is given below: **[15]**

Year	Rs
1	12,50,000
2	15,00,000
3	18,75,000
4	18,00,000
5	11,25,000

The PV factor applicable is 8% and tax rate is 50%. Calculate payback period and net present value of the project.

OR

B. b) ABC ltd is considering a project for which the following estimates are available. **[08]**

Initial cost of the Project	Rs 5 lacs
Sales price/unit	Rs 75
Cost per units	Rs 45
No of units Sold p.a	6000
Life of the project	5 years
Cost of Capital	9%

Calculate the sensitivity of the project with project cost, annual cash flow and state which is the most sensitive?

c) Consider a core were an investor purchase a bond having face value of Rs.1000, Maturity period of 5 years and coupon rate of interest is 7%. The required rate of return is 9 %. What should be the purchase of bond if it is matured at par. **[07]**

Q. 3 **Attempt either A or B.**

A. a) AB ltd has an EBIT of Rs 3 lakhs. The company has 8% debentures of Rs 7 lakhs Rs 7 lakhs. Presuming the overall capitalization rate as 10 %, compute the present total value of the company and equity capitalization rate. The company decides to raise a sum of Rs 2 lakhs through debt at 8% and use the proceeds to pay off the equity shareholders. Compute the proposed total value of the company and also the proposed equity capitalization rate. Use Net Operating Income Approach. **[15]**

OR

B. b) Neon Ltd has paid up Equity capital of Rs.80, 00,000 in shares of Rs.100 each. The earnings of the company was Rs.8,00,000. The company paid Dividend of Rs.6,40,000. Required Rate of retun 10% and Cost of capital is 8%. Using Walter's formula, calculate the Market Price of the Share. **[08]**

c) Forex Ltd paid a dividend of Rs.5 per share last year. It is expected to grow at 15% for next two years and then at 8% indefinitely. The required rate of return on Equity is 15%. Calculate the price per share using Gordon Dividend Growth Valuation Model. The Present Value factor at 15% for Year 1 = 0.8696 and Year 2= 0.7561 **[07]**

Q. 4 **A.** **Attempt either A or B.**

a) Moon Mutual fund provides you with the following data related to unbalanced Mutual fund scheme. You are required to compute Net Asset Value on per unit basis as on 30th Sept 2022. **[15]**

Particulars	Rs
Managers Salary	20,000
Operational Expenses	80,000
Amount Payable on Shares	25,000
Bonds and debentures at cost	60,000
Interest Income	32,000
Listed securities at cost	93,000
Dividend Income	10,000
Cash in Hand	24,000

Other Information:

a. Value of listed bonds and debentures is appreciated by 15 % cost while unlisted display a downfall of 5% from cost.

b. All the listed securities were purchased when market index was 9500 and currently it is 9,300.

c. Out of total bonds quoted above 30 % of them are unlisted.

d. No of outstanding units is 35,000.

Also calculate the amount receivable by an investor who wishes to sell 125 units at NAV as on 30th September with 5 % exit load.

OR

B. b) The present cash discount of AB Company is 1%. Its annual sales are Rs.80 lakhs. Its average collection period is 20 days. Its variable cost to sales is 0.85 and fixed cost Rs.8, 00,000 respectively and its cost of capital is 10 per cent. The proportion of sales on which customers currently take discount is 0.5. AB company is considering relaxing its discount terms to 2%. Such relaxation is expected to increase sales by Rs.5 lakhs, reduce the average collection period to 14 days and increase the proportion of discount sales to 0.80. What will be the effect of relaxing the discount policy on company's profit? Take year as 360 days. **[15]**

Q. 5 **Attempt either (A and B) or C.**

A. State the objectives of finance management? **[08]**

B. Discuss the phases of capital budgeting **[07]**

OR

C. **Short Note: (Any 3) (5 marks each)** **[15]**

a) Net Income Approach

b) Walter Model

c) Net Asset value

d) Types of Return

e) Modigliani- Miller Approach

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