

**SARASWAT VIDYALYA'S**  
**SRIDORA CACULO COLLEGE OF COMMERCE & MANAGEMENT STUDIES**  
**KHORLIM, MAPUSA – GOA**  
**B.COM – SIXTH SEMESTER END EXAMINATION – JUNE 2022**  
**(W.E.F 2019-20 CBCS)**

**SUBJECT: BUSINESS MANAGEMENT MAJOR V – FINANCIAL MANAGEMENT**  
[Duration: Two Hours] [Max. Marks: 80]

**Instructions:**

1. **Question No. 1 is Compulsory**
2. All questions carry equal marks
3. Figures to the right indicate maximum marks allotted to questions/sub questions.
4. Answer **any three** question from **Question No. 2 to Question No. 6**

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- Q1.** BATA Ltd. has the following capital structure as per its balance sheet as **(20)**  
on 31st March 2021:

<b>Particulars</b>	<b>Rs. in lakhs</b>
Equity Share Capital 20000 of Rs. 100 each	20,00,000
10% Preference Share Capital (fully paid shares of Rs.100 each)	8,00,000
12% Debentures (Fully paid of Rs 100 each)	12,00,000
<b>Total capital</b>	<b>40,00,000</b>

Additional Information:

The market price of company share is Rs 110 and is expected that a dividend of Rs 10 per share is declared. The dividend growth rate is 6%.

The Company falls under 50% tax bracket.

Compute weighted average cost of capital (W.A.C.C).

- Q2.** A) Vespa Pvt Ltd, a steel manufacturing company has set up it's plant in **(15)**  
Valpoi and for this purpose the company is considering to purchase one of the two machines i.e. Machine A and Machine B. Both the machines have a life span of 5 years and initial cash investment of Rs. 5,00,000. The company adopts straight line method of depreciation. The two machines are expected to generate net cash inflows before tax as given below:

Years	Machine A (Rs)	Machine B (Rs)
1	1,00,000	2,00,000
2	1,00,000	1,00,000
3	1,00,000	1,00,000
4	1,00,000	1,80,000
5	1,00,000	1,20,000

The company falls under 50% tax bracket. You are required to advise the company as to which machine would be more profitable under the following methods:

- i) Pay pack period method
- ii) Average rate of return method.

**B)** Discuss in brief the process of capital budgeting. **(5)**

**Q3. A)** A firm has two projects. Both projects have life of 5 years each. The cash outlay over the life of each project is Rs 1,00,000. The firm pays tax @ 50 %. The straight line method of depreciation will be charged on the projects. The projects are expected to generate net cash inflow before tax as follows: **(15)**

Year	Project X	Project Y
1	Rs 40,000	Rs 60,000
2	Rs 40,000	Rs 30,000
3	Rs 40,000	Rs 20,000
4	Rs 40,000	Rs 50,000
5	Rs 40,000	Rs 50,000

Present Value Factor at 10% discount:

Years	1	2	3	4	5
<b>PV factor @ 10%</b>	0.909	0.826	0.751	0.683	0.621

You are required to calculate which of the projects are profitable under:

- i) Net present value (NPV) method at 10% discount rate.
- ii) Profitability index (PI) method at 10% discount rate.

**B)** Explain the concept of time value of money. **(5)**

**Q4. A)** The details of three different firms is given below: **(15)**

Particulars	FIRMS	
	Alpha Ltd	Mega Ltd
Output (Units)	60,000	1,00,000
Fixed cost (Rs)	7,200	1,500
Variable cost per unit (Rs)	0.20	0.02
Interest on borrowed capital (Rs)	4,000	NIL
Selling price per unit (Rs)	0.60	0.10

You are required to prepare Income Statement of all three firms and also compute its Operating Leverage, Financial Leverage and Composite Leverage.

**B)** Discuss trading on equity **(5)**

**Q5. A)** State and explain the forms of dividends. **(10)**

**B)** Explain the determinants of dividend policy. **(10)**

**Q6.** Write short notes on **any four** of the following: **(5X4 = 20)**

- a) Kinds of capital budgeting decisions.
- b) Internal rate of return method.
- c) Interim dividend and final dividend.
- d) Implicit cost and explicit cost.
- e) Importance of cost of capital.
- f) Combined leverage.

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