Seat No. : ____ ____

DA-129

December-2024

B.B.A., Sem.-III (NEP)

DSC-C-231 : Fundamentals of Financial Management

Time : 2 Hours] **[Max. Marks : 50**

Instructions : (1) Show calculations wherever required.

(2) PV tables will be provided on request.

1. (A) Two partners X and Y together lend ₹ 4,00,000 at 6% compounded annually. The amount A gets in 4 years is the same as what B gets at the end of 6 years. Determine the share of A and B in the total amount. **5**

1. (B) Define Financial Management. Discuss its objectives in brief. **5**

OR

1. (A) An investor has two options to choose from : ₹ 10,000 after 5 years OR ₹ 2,000 every year for 5 years. Assuming a discount rate of 10%, which alternative should he opt for ? **5**

1. (B) If ABC company expects following cash flows for its new project : **5**
   - ₹ 2,00,000 and ₹ 1,50,000 for the first two years respectively
   - ₹ 1,00,000 each year for the next 8 years

   What would be present value of cash inflows assuming a discount rate of 8% per annum ?

2. (A) PQR Limited requires 60,00,000 units of an item annually. The cost per unit is ₹ 160, ordering cost per order is ₹ 1,200 and carrying cost per unit is 10%. Calculate EOQ and the number of orders. Also calculate new EOQ if cost per unit drops to ₹ 140. **5**

2. (B) Explain the concept of operating cycle in working capital management. **5**

OR

2. (A) Write a note on credit policy variables. 5

2. (B) Annual usage 20,000 units. Fixed cost per order ₹ 500. Purchase price per unit ₹ 100. Carrying cost 20% of inventory. What is the Economic Order Quantity ? Assume that a discount of ₹ 5 per unit is offered, if the order size is 1,200 units. Should the company seek discount ? 5

3. Following is the balance sheet of ABC Limited : 10

Liabilities	Amount in ₹	Assets	Amount in ₹
Equity Capital (₹ 10 per share)	20,00,000	Net fixed assets	40,00,000
12% Preference Share Capital	4,00,000	Current Assets	20,00,000
Debt @ 8%	20,00,000		
Current Liabilities	16,00,000		
Total	**60,00,000**	**Total**	**60,00,000**

Selling price per unit is ₹ 20, Variable cost per unit is ₹ 12. Fixed costs amount to ₹ 4,00,000. Tax rate is 40%. Original sales level was 1,00,000 units which rose to 1,10,000 units. Calculate :

a. Percentage increase in Earnings Per Share, as sales increased from 1,00,000 to 1,10,000 units.

b. Operating, financial and combined leverage for 1,00,000 and 1,10,000 units sales.

OR

3. XYZ Limited plans to raise ₹ 90,00,000 of fresh capital for its Expansion plans. Following financing options are available : 10

Plan 1 : ₹ 30,00,000 equity, ₹ 50,00,000 12% preference shares and ₹ 10,00,000 10% debentures.

Plan 2 : ₹ 60,00,000 equity and ₹ 30,00,000 11% debentures.

Calculate Indifference Point between plan 1 and plan 2 and Financial Break-Even Point for each plan. Also calculate Earnings per Share for each plan, if expected EBIT is ₹ 12,00,000.

Tax rate is 40% and per unit value of each share and debenture is ₹ 100.

4. A project requires an investment of ₹ 16,00,000. Expected life of project is 5 years with a salvage value of ₹ 2,00,000. Tax rate is 50% and maintenance is ₹ 40,000 per year. Depreciation is calculated using straight line method. If estimated cash flows before depreciation, maintainance and taxes are as follows, calculate the pay-back period and net present value for the project at 12% rate of discount. **10**

Year	CFBDMT
1	4,00,000
2	4,40,000
3	3,80,000
4	4,20,000
5	3,60,000

OR

4. (A) Explain the types of capital budgeting decisions in brief. **5**

4. (B) Write a note on 'Internal Rate of Return' method. **5**

5. Attempt any **10** out of 12. **10**

1. Treasurer deals with _______ aspects; whereas controller deals with _______ aspects of finance in a business. (internal/external)

2. When compounding is done for shorter periods, the rate of interest is known as _______ rate of interest. (nominal/effective)

3. The present value of ₹ 300 perpetuity at 10% annual rate of interest is _______.

4. Both excessive and inadequate working capital can be dangerous for a business. (True/False)

5. 3/15 net 45 means _______ % cash discount will be given in 15 days. (3, 12, 15)

6. The level of EBIT of a firm which is just enough to cover its fixed financial charges is known as _______. (Internal Rate of Return / Financial Break-Even Point)

7. A business plans to raise new capital of ₹ 10,00,000 in the ratio of 3:1:1 with equity, 12% preference shares and 13.5% debentures. The debenture interest in this case is _______.

8. Low operating leverage and high financial leverage is the best option to fulfill Shareholders' Wealth Maximization objective. (True/False)

9. Difference between current assets and current liabilities is known as _______ working capital. (Gross/Net)

10. Accounting Rate of Return is the only capital budgeting technique that uses CFAT instead of PAT for calculations. (True/False)

11. A machine costs ₹ 4,00,000. At the end of its effective life of 8 years, it will generate a scrap value of ₹ 40,000. The yearly depreciation on straight line method is ₹ _______.

12. Projects requiring different initial investments cannot lead to conflicting results between NPV and IRR. (True/False)