



**SHRI. S. H. KELKAR COLLEGE OF ARTS, COMMERCE & SCIENCE DEVGAD.**  
**SEMESTER : III** **EXAM - NOV. 2023-24.** **CLASS : SYBBI**  
**SUBJECT : - Financial Management - I** **MARKS : 75**  
**DATE : 03/11/2023** **TIME : 08.00am To 10.30am**

**Q.1) A) Write the following alternatives. (Any 8)**

**(8)**

- 1) Preference shares are -----.  
A) Redeemable B) IR Redeemable C) Secured
- 2) The security which has controlling right is -----.  
A) Preference shares B) Debentures C) Equity shares
- 3) ----- is not a function of finance.  
A) Investment B) Dividend C) Production
- 4) Liquidity and profitability bear relationship.  
A) Adverse B) Inverse C) Direct
- 5) The interest paid on the principal for a fixed deposit of time at a fixed rate of interest is called -----.  
A) Simple interest B) Compound interest C) PV
- 6) The method which uses accrual accounting -----.  
A) Payback B) ARR C) NPV
- 7) ----- is not the assumption of MM approach.  
A) Investors behave rationally  
B) Investors are free to buy & sell securities  
C) There is a transaction cash
- 8) Part of income distributed to shareholders -----.  
A) Profit B) Loss C) Dividend
- 9) Ploughing back of profit means -----.  
A) Declaration of dividend B) Retaining profits C) Re-investment profit
- 10) ----- models known as bird in the hand argument.  
A) Gordon's Model B) Walter's Model C) Fayol Model

**Q.1) B) Write True or False. (Any 7)**

**(7)**

- 1) Risk & return always goes hand in hand.
- 2) Continuous compounding occurs when interest is compounding daily.
- 3) In simple interest, interest for each year is same.
- 4) Borrowed funds is ownership capital.
- 5) Loan raised from partners is ownership capital in a partnership firm.
- 6) Equity investor are high risk bearers.
- 7) Cost of equity is zero.
- 8) At optimal capital structure, the cost of capital is the least.
- 9) Cost of capital is used in capital budgeting decisions.
- 10) Preference share capital has fixed rate of interest.



**Q.2) Write following answers.**

A) Acme Ltd is considering a capital project for which the following information is available :

(15)

Investment outlay	1,000
Project Life	10 years
Salvage Value	0
Annual Revenues	2,000
Cost of equity	18%
Cost of Debt (post tax)	10%
Debt equity ratio	1:1
Depreciation (for tax purpose)	SLM
Tax rate	40%
Annual cost (excluding depreciation, interest & taxes)	1,400

Calculate the EVA of the project over its life.

**OR**

B) ) The following data are of Cisco Ltd. The company's required rate of return on invested capital is 8% Find the missing figures :

(8)

Sales Value (Rs.)	?
Income (Rs.)	?
Capital Employed ( Investment )	6,00,000
Sales Margin (%)	25%
Capital Turnover ( Times )	?
ROI (%)	20%
Economic Value Added ( EVA)	1,20,000

C) Sanjana has invested Rs. 25,000 in a scheme @ 12% p.a. compounded quarterly. Find out what will the amount become at the end of two years.

(7)

**Q.3) Write following answers.**

A) Excel Trading Co. Ltd. is considering the purchase of a New Machine for the immediate expansion programme. There are three types of machines in the market for this purpose. Their details are as follows :

(15)

Particulars	Machine A (Rs.)	Machine B (Rs.)	Machine ( Rs.)
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Cost of Machine	17,500	12,500	9,000
Estimated savings in scrap per year.	400	750	250
Estimated savings in direct wages per year.	2,750	6,000	2,250
Additional cost of Indirect Materials per year.	-	400	-
Expected savings in Indirect Materials per annum.	100	-	250
Additional Cost of Maintenance per year.	750	550	500
Additional Cost of Supervision	-	800	-
Estimated Life of Machine (Yrs.).	10	6	5
Taxation at 40% of profit			

You are required to advise the management which type of Machine should be purchased on the basis of Payback Period ?

**OR**

B) Jugnu Company Ltd. Is proposing to expand its production. It can go in for a Standard machine costing Rs. 50,000 or an Assembled machine costing Rs. 59,000. The life of both these machines is 5 years. The annual sales and costs are as below : (15)

Particulars	Standard (Rs)	Assembled (Rs.)
Sales	50,000	50,000
Materials	15,000	15,000
Labour	7,000	6,000
Variable Overheads	7,000	6,000

Compute the comparative profitability of the proposals under the Payback Period. Also calculate the Payback Profitability. Ignore Taxation and Depreciation.

**Q.4) Write following answers.**

A) Following are the details regarding the capital structure of a Regal Reform company Ltd.

(15)

Types of Capital	Book Value	Market Value	Specific Cost
Debentures	40,000	38,000	5%
Preference Capital	10,000	11,000	8%
Equity Capital	60,000	1,20,000	13%
Retained Earnings	20,000	-	9%
	1,30,000	1,69,000	-





You are requested to determine the weighted average cost of capital, using :

A) Books Value as Weights

B) Market Value a Weights

**OR**

B) A new project under consideration by your company require a capital investment of Rs. 150 Lakhs. The required funds can be raised either through the sale of equity shares or borrowed from financial institution. Interest on loan is 15% and tax rate is 50%. If the debt-equity ratio insisted by the financial agencies is 2: 1. Calculate the point of indifference for the project. (15)

**Q.5) Write following answers.**

A) Explain the scope of financial management. (8)

B) Explain process of calculation of EVA. (7)

**OR**

**Q.5) Write short notes. ( Any 3 )**

**(15)**

- 1) Components of cost of capital
- 2) Time Value of Money
- 3) Long term sources of finance
- 4) Internal Rate of Return
- 5) MM Approach