



POORNIMA UNIVERSITY, JAIPUR.
MID SEMESTER EXAMINATION 2020-21 (ODD Semester)

School : School of Commerce & Management
Course : II Year II SEM – B.COM.
Subject Name : Fundamentals of Financial Management
Subject Code : BCO03102_BCH03102

Max. Time: 1.5 hrs.

Max. Marks: 12

NOTE:- Attempt four questions. There is internal choice in Q. 1 & 2, Q. 3 & 4, Q. 5 & 6 & Q. 7 & 8.

Sec-A (CO 3) (Max. Marks-6)

Q.1 (a) What is Internal Rate of Return (IRR) ? **Marks (1.5)**

(b) Which techniques of capital budgeting are better ? Discounted techniques or non-discounted techniques? Give reasons **(1.5)**

OR

Q.2 (a) What can be the reason of conflict between NPV and IRR Methods **(1.5)**

(b) What is pay -back period? **(1.5)**

Q.3 (a) What do you mean by Capital Budgeting **(1.5)**

(b) What do you mean by derivatives? **(1.5)**

OR

Q.4 (a) Rank the following projects using NPV method using time value of 8 percent. **(1.5)**

Cash Flow	Project A	Project B
C0	- 100,000	- 30,000
C1	25,000	10,000
C2	45,000	18,000
C3	20,000	12,000
C4	40,000	15,000

Use time value of 8 percent for discounted technique for Discounted Pay Back Period, NPV, & PI Method

(b) (PVIF Factors at 8% for 1 year =0.926, for 2 years = 0.857, for 3 years= 0.794, for 4 years= 0.735) **(1.5)**

Rank the following projects using PI method in for project A and Project B given in (a) using time value of 8 percent.

Sec-B (CO 4) (Max. Marks-6)

Q.5 (a) What do you mean by Cost of Capital **(1.5)**

(b) How cost of capital of equity shares are calculated ? Give formula. **(1.5)**

OR

Q.6 (a) The Market price per share of mobile glycols ltd is Rs. 120. The dividend expected per share a year hence is Rs. 12 and the DPS is expected to grow at a constant rate of 8 percent p.a. What is the cost of equity capital to the company ? **(1.5)**

(b) A2Z company took a loan from IDBI for 50 crores. If the rate of Interest is 8 percent and corporate tax is 40 percent . What is the cost of Debt to the company **(1.5)**

Q.7 (a) How weighted cost of capital are calculated ? Give formula **(1.5)**

(b) Are retained earnings free of Cost ? Give reasons **(1.5)**

OR

Q.8 (a) What are different components of capital ? **(1.5)**

(b) A Company issued preference shares . Each preference share has a face value of Rs. 100 and carries a dividend rate of 14 percent annually. The share is redeemable after 12 years at par. If the net amount realized per share is Rs. 95, What is the approximate cost of preference capital ? **(1.5)**
