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Your Roll No.....

Sr. No. of Question Paper : 1079

B

Unique Paper Code : 22415204 (August-2022)

Name of the Paper : Finance for Non-Finance Executives

Name of the Course : **B.Com. (Hons.) CBCS**

Semester : II

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **all** questions.
3. **All** questions carry equal marks.
4. Use of Simple Calculator/Log Table/Annuity Table/ Present Value Factors Table is allowed.

1. (a) "Risk and return are the critical parameters of investment decision making". Explain the statement by establishing the relationship between risk and return. (8)

P.T.O.

- (b) Critically evaluate the advantages and disadvantages of raising funds by issuing shares of different types. (7)

OR

- (a) Explain the Time Value Concept of money with suitable example. (6)
- (b) Anuradha wishes to determine how much money she will have at the end of five years if she spends Rs. 15,000 annually in a saving account paying 7% annual interest? The deposits will be made at the end of each year. Show your calculations. (9)
2. (a) Explain the different qualitative characteristics of financial statements. (8)
- (b) "Ratio Analysis diagnose the defects in a company". Explain. Also write down the objectives of the Ratio analysis. (7)

OR

- (a) Following information is provided by XYZ Co. Ltd for the year ending 2021 :

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
6000 equity shares of Rs.100 each, fully paid up	6,00,000	Plant, property & Equipment	12,00,000
40,000, 10% preference shares of Rs.10 each fully paid up	4,00,000	Inventory	5,40,000
Reserves and Surplus	5,00,000	Sundry Debtors	3,00,000
5000,10% Debentures	5,00,000	Cash at bank	5,00,000
Bank loan @12%p.a.	2,00,000	Marketable securities	1,20,000
Current Liabilities	4,60,000		
Total	26,60,000	Total	26,60,000

Calculate following ratios assuming that
EBIT = Rs.7,20,000

(i) Debt-equity ratio

(ii) Interest Coverage Ratio. (6)

(b) Compare two alternative projects on NPV and PI basis, where rate of return is 10%. The details are given below :

	Project X	Project Y
Cash outflow(Rs.)	2,60,000	2,70,000
Cash Inflow (Rs.)	95,000	98000
Life of project(in year)	5 year	5 year

Also Comment on results. (9)

3. (a) What is WACC? Explain the significance of the cost of capital in financial management decisions. (9)

P.T.O.

(b) From the following information, Calculate Weighted Average Cost of Capital (WACC) :

Source of Funds	Amount (Rs.)	Cost of Capital
Debentures	4,50,000	6.5 (Pre- tax rate)
Preference Share Capital	3,00,000	9.5
Equity Share capital (Rs.100 each)	7,50,000	20
Total	15,00,000	

Tax Rate is 50%.

(6)

OR

(a) Explain the term leverage. Differentiate Operating leverage and financial leverage. (8)

(b) Explain the term Dividend. What are the various factors affecting dividend policy? (7)

4. (a) "Working Capital is a two-edged sword, its excessive and deficit availability are equally bad". Explain the statement with suitable examples. Explain the factors affecting working capital requirements. (10)

(b) What is a portfolio? Explain the role of correlation coefficient in the construction of a portfolio.

(5)

OR

- (a) Following information is available in respect of the return on two securities: X and Y :

Condition	Probability	Return on X	Return on Y
Recession	0.3	-10%	15%
Normal	0.4	20%	25%
Boom	0.3	35%	40%

Calculate the expected returns and risk of Security X and Y. (10)

- (b) From the following information, compute the value of equity using CAPM :

Face value of equity share : Rs.50
 Dividend Paid : Rs. 10 per share
 Interest on Govt bonds : 8%
 Beta : 1.5
 Market Return : 20%
 Growth Rate of the company : 5% (5)

5. Write short notes on any **three** : (5×3)

(a) Capital Structure

(b) Contemporary Issues in Finance

P.T.O.

(c) Systematic Risk

(d) Types of Dividend

(e) Temporary Working Capital