



WEST BENGAL STATE UNIVERSITY

B.Com. Honours Part-III Examination, 2021

FINANCIAL MANAGEMENT

PAPER: FMNA-VII

Time Allotted: 2 Hours

Full Marks: 50

The figures in the margin indicate full marks.
Candidates should answer in their own words
and adhere to the word limit as practicable.

প্রাপ্তিক সীমার মধ্যস্থ সংখ্যাটি পূর্ণমান নির্দেশ করে।
পরীক্ষার্থীরা নিজের ভাষায় যথা সম্ভব শব্দসীমার মধ্যে
উত্তর করিবে।

Answer question No. 1 and 7 and any other two questions from Q. No. 2 to 6

১নং এবং ৭নং প্রশ্নের উত্তর দাও এবং ২ নং থেকে ৬নং-এর মধ্যে যে-কোনো দুটি প্রশ্নের উত্তর দাও

1. (a) Mr. X has deposited ₹5,000 in a bank at 10% rate of interest to be compounded annually for 5 years. Find out the amount he will receive after 5 years. [Given $(1.10)^5 = CVIF_{10,5} = 1.611$] 3+2+5
- (b) Determine the present value of ₹5,000 to be received after 5 years, when discount rate is 12%.
- (c) Distinguish between profit maximisation and wealth maximisation objective of a firm.
একটি ফার্মের মুনাফার সর্বোচ্চকরণ এবং সম্পদের সর্বোচ্চকরণ উদ্দেশ্যের মধ্যে পার্থক্য করো।

OR / অথবা

- (a) Mr. X deposits Rs. 50,000 in a bank for 5 years at 8% rate of interest compounded quarterly. Calculate the amount he will receive after 5 years. [Given $(1.20)^{20} = CVIF_{2,20} = 1.486$] 5+5
 - (b) Discuss the relationship between Risk and Return.
ঝুঁকি এবং প্রতিদানের মধ্যে সম্পর্ক আলোচনা করো।
2. What do you mean be Lease Financing? Briefly explain the advantages and disadvantages of Lease Financing. 2+6+7
ইজারার মাধ্যমে অর্থসংস্থান বলতে কি বোঝো? ইজারার মাধ্যমে অর্থসংস্থানের সুবিধা ও অসুবিধা আলোচনা করো।

OR / অথবা

- Calculate weighted average cost of capital from the following particular of a company: 15
- (i) Rs. 10,00,000, Equity shares of Rs. 100 each. Present dividend per share is Rs. 25 with a market price of Rs. 250 per share. Estimated growth rate in dividend is 5%.
 - (ii) Rs. 5,00,000, 8% Preference shares of Rs. 100 each issued at Rs. 95.
 - (iii) 10%, Term loan of Rs. 5,00,000. The company received the entire proceeds of the loan.

- (iv) 11%, 5-year Debentures of Rs. 5,00,000 (Rs. 100 each). The company received Rs. 105 per debenture.

Assume that the optimum mix of capital of the company is represented in the amounts as mentioned above and the company is in a 30% tax bracket.

3. Calculate market value of the firm (V) and overall cost of capital (K_0) under Net Income Approach. 12+3

Information:

- (i) Net operating income of the firm Rs. 1,00,000
(ii) The total amount of investment is Rs. 5,00,000
(iii) Assume that there is no corporate tax.

Debt-equity mix of the company

% of Debt	Cost of Debt (K_d)	Cost of Equity (K_e)
0%	—	15%
10%	10%	15%
20%	10%	15%
50%	10%	15%
75%	10%	15%

Which of the above capital structure will you recommend and why?

OR / অথবা

- (a) What is Optimum Capital Structure? 3+8+4
সর্বোত্তম মূলধন কাঠামো কি ?
(b) The following figures relate to two companies:

	(₹ in lakhs)	
	A Ltd.	B Ltd
Sales	500	1000
Less: Variable Cost	200	300
	300	700
Less: Fixed Cost	150	400
EBIT	150	300
Less: Interest	50	100
	100	200

You are required to calculate Operating Leverage, Financial Leverage and Combined Leverage with brief comment on results.

- (c) What do you understand by 'Trading on Equity'?
'ইকুইটি-র উপর কারবার' বলতে কি বোঝো ?

4. (a) What do you understand by working capital? Explain the concept of negative working capital. (3+3)+6+3
কার্যকরী মূলধন বলতে কি বোঝো ? ঋণাত্মক কার্যকরী মূলধনের ধারণাটি ব্যাখ্যা করো।
(b) State the importance of working capital in a business concern.
একটি কারবারী প্রতিষ্ঠানে কার্যকরী মূলধনের গুরুত্ব বিবৃত করো।

(c) What is working capital cycle?

কার্যকরী মূলধন চক্র কাকে বলে ?

OR / অথবা

From the following information of Sun Ltd., determine the working capital requirement of the company.

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- (i) Expected annual sales: Rs. 12,00,000
- (ii) Analysis of sales: Materials– 60%, Expenses– 15% and Profit– 25%
- (iii) Credit allowed to Debtors– 2.5 months
- (iv) Credit allowed by Creditors– 1.5 months
- (v) Raw materials in store– 1 month
- (vi) Processing period– 2 months
- (vii) Finished goods in store– 3 months
- (viii) Bank Overdraft– Rs. 80,000
- (ix) Cash in hand– Rs. 20,000

Assume that the production is carried on evenly during the year and expenses accrue similarly.

5. (a) A company is considering two projects – A and B. From the following details calculate Discounted Payback Period of the two Projects and comment which project should be accepted by the company. Assume 10% cost of capital. $10+(2\frac{1}{2}+2\frac{1}{2})$

Project	Cash outflow (Rs.)	Cash inflow at the end of (Rs.)				
		1st year	2nd year	3rd year	4th year	5th year
A	25,00,000	—	5,00,000	20,00,000	14,00,000	14,00,000
B	40,00,000	10,00,000	14,00,000	16,00,000	17,00,000	15,00,000

The present values of Re. 1 at 10% discount rate are as follows:

Year	1	2	3	4	5
P.V.	0.909	0.826	0.751	0.683	0.621

- (b) Briefly explain the advantages and disadvantages of Payback Period Method.

Payback Period পদ্ধতির সুবিধা এবং অসুবিধাগুলি সংক্ষেপে আলোচনা করো।

OR / অথবা

- (a) Z Ltd. is thinking of investing in a Project costing Rs. 20,00,000. The life of the project is 5 years. The company follows straight line method of charging depreciation. The tax rate is 30%. The expected cash flows before tax are as follows: $10+(2+3)$

Year	1	2	3	4	5
Estimated cash flow before depreciation and tax (Rs.)	4,00,000	6,00,000	8,00,000	8,00,000	10,00,000

Calculate Net Present Value (NPV) of the project assuming 10% cost of capital. Also comment whether the project should be accepted by the company.

The discounting factor at 10% are

Year	1	2	3	4	5
Discounting factors	0.909	0.826	0.751	0.683	0.621

- (b) What do you mean by Internal Rate of Return (IRR)? Briefly explain the advantages of Internal Rate of Return (IRR) method.

আভ্যন্তরীণ প্রতিদানের হার (IRR) বলতে কি বোঝে ? সংক্ষেপে আভ্যন্তরীণ প্রতিদানের হার পদ্ধতির সুবিধাগুলি আলোচনা করো।

6. (a) From the following information, calculate the market price of a share using Gordon Model assuming payout ratio is (i) 20%, (ii) 50% (iii) 80% and comment. 12+3

Total Investment in assets	— Rs. 10,00,000
No. of Shares	— 50,000
Total earnings	— Rs. 2,00,000
Cost of capital	— 16%

- (b) Mention the objectives of Dividend policy.

লভ্যাংশ নীতির উদ্দেশ্যগুলি উল্লেখ করো।

OR / অথবা

- (a) Briefly explain the factors to be considered for formulating the dividend policy of a firm. 9+6

একটি কারবারী প্রতিষ্ঠানের লভ্যাংশ নীতি নির্ধারণের ক্ষেত্রে বিবেচ্য বিষয়গুলি ব্যাখ্যা করো।

- (b) Mention the assumptions of Walter Model.

ওয়াল্টার তত্ত্বের অনুমানগুলি উল্লেখ করো।

7. What are the requirements of effective financial control? 10
কার্যকরী অর্থনৈতিক নিয়ন্ত্রণের উপাদানগুলি কি কি ?

OR / অথবা

Briefly explain the role of the following financial tools in financial control (any two): 5+5

আর্থিক নিয়ন্ত্রণের ক্ষেত্রে নিম্নলিখিত বিষয়গুলির ভূমিকা সংক্ষেপে ব্যাখ্যা করো (যে-কোন দুটি)

- (i) Budgetary control
বাজেটমূলক নিয়ন্ত্রণ
- (ii) Fund Flow Statement
তহবিল প্রবাহ বিবরণী
- (iii) Return on Investment.
বিনিয়োগের উপর প্রতিদান।

N.B. : Students have to complete submission of their Answer Scripts through E-mail / Whatsapp to their own respective colleges on the same day / date of examination within 1 hour after end of exam. University / College authorities will not be held responsible for wrong submission (at in proper address). Students are strongly advised not to submit multiple copies of the same answer script.

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