

# 024COM012 – E – 25 – 2438



FOURTH SEMESTER B.COM. (NEP) DEGREE EXAMINATION, JULY 2025  
**COMMERCE (DSC – 2)**  
**Financial Management**

Time : 2 Hours]

[Max. Marks : 60

- Instructions :** 1) Answer **all** the questions subject to **internal** choice.  
2) Question No. 11 (Case Study) is **compulsory**.  
3) Simple calculator is **allowed**.

## SECTION – A

1. Answer **any five** of the following : (5×2=10)
- Define Financial Management.
  - Mention any two differences between profit maximisation and wealth maximisation.
  - State different sources of capital.
  - What is time value of money ?
  - Give formula to compute working capital.
  - Find the present value of ₹ 20,000 to be received after 5 years from now assuming 10% rate of interest. (Discount factor Re. 1 @ 10% for 5 years is 0.621).
  - Calculate Kd from the following :  
10% debentures of ₹ 10,00,000 issued at par. Tax slab 50%.

## SECTION – B

- Answer **any four** of the following : (4×5=20)
- Explain the importance of Financial Management.
  - Calculate future value at the end of five years of the following series of payment at 10% interest rate.

Year	Series of Payment (₹)	Compounded interest factor at 10% (₹)
1	5,000	1,000
2	10,000	1,100
3	15,000	1,210
4	10,000	1,331
5	7,500	1,464

[P.T.O.]



4. Calculate operating leverage, financial leverage and earning per share for the following data.

Sales Units	50,000
Selling price per unit	₹ 48
Variable cost per unit	₹ 32
Fixed cost per annum	₹ 1,60,000
Interest per annum	₹ 60,000
Tax rate	50%
Number of equity shares	20,000

5. A company raised preference shares capital ₹ 5,00,000 by issue of 10% preference shares of ₹ 10 each. Calculate cost of preference capital when they are issued

- At par
- At 10% discount
- At 10% premium.

6. A project cost ₹ 5,00,000 and yields annual cash flows as follows for 5 years.

Year	Cash flows (₹)
1	1,20,000
2	40,000
3	80,000
4	2,00,000
5	1,00,000

Compute pay back period.

### SECTION – C

Answer **any three** from the following, question number **11** (Case Study) is **compulsory**.

(3×10=30)

7. Explain the functions of Financial Management.

8. Calculate the Weighted Average Cost of Capital (WACC) (Book value and market value) after tax from the following. The tax rate is 50%.

Sources of Capital	Book Value (₹)	Market Value (₹)	Cost of each source before tax
Equity share capital	2,50,000	5,00,000	24%
Preference share capital	1,00,000	1,50,000	27%
Debt capital	5,00,000	6,50,000	8%
Retained earnings	1,50,000	—	18%

9. There are two proposals to buy a machine costing ₹ 10,00,000 having 5 years of life.

**Proposal 'A'**  
(Cost of Capital 10%)

**Proposal 'B'**  
(Cost of Capital 12%)

Year	Cash flow (₹)	P.V. factor	Year	Cash flows (₹)	P.V. factor
1	2,40,000	0.909	1	3,00,000	0.893
2	3,00,000	0.826	2	4,00,000	0.797
3	4,00,000	0.751	3	6,00,000	0.712
4	4,00,000	0.683	4	4,00,000	0.636
5	5,00,000	0.621	5	2,00,000	0.567

Which proposal is accepted based on NPV ?

10. A client is seeking your advice about average working capital requirement in the first of trading. Add 10% provisions for contingencies.

Elements of cost	Amount (₹) per unit
Raw Materials	80
Direct Labour	30
Overheads	60
	<hr/>
	170
	30
Profit	<hr/>
	200
Selling price	<hr/>



Further, following information is available :

Raw materials are in stock – 1 month

Credit allowed by suppliers – 1 month

Lag in payments of wages – 2 weeks

Lag in payments of overheads – 1 month

Materials are in process on an average – 1 month

Finished goods are in stock – 2 months

Cash in hand is expected to be ₹ 25,000

You are required to prepare a statement showing working capital needs to finance a level of activity of 1,04,000 Units.

11. Case Study (**Compulsory** question).

Good News Co. Ltd. want to set up new factory at an investment of ₹ 80,00,000. The new factory is expected to yield EBIT ₹ 16,00,000. For maximising its EPS the company is considering the following alternative financial proposals.

Financial Proposal I : All in equity shares of ₹ 100 each.

Financial Proposal II : ₹ 40,00,000 in 12% debentures and remaining in equity shares of ₹ 100 each.

The company is in 50% tax bracket. As a finance adviser, which financial proposal you may recommend ? And why ?

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