

## School of Finance and Commerce

**Bachelor of Commerce Honours  
Semester End Examination - Jul 2024**

**Duration : 180 Minutes  
Max Marks : 100**

### Sem III - H1UB304T - Financial Management

General Instructions

*Answer to the specific question asked*

*Draw neat, labelled diagrams wherever necessary*

*Approved data hand books are allowed subject to verification by the Invigilator*

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|----|--|--------|
| 1) | Identify the difference between 'Investment' and 'Speculation'   | K1(2)  |
| 2) | Suppose in the year 2002 the risk-free rate is 6%, the market return 11% and beta of the security is 1.54. Calculate the required rate of return of the investment. Also, elaborate the significance of fundamental analysis.  | K2(4)  |
| 3) | Explain the emerging role of finance manager.  | K2(6)  |
| 4) | Identify the difference between internal rate of return (IRR) and the net present value (NPV) methods of investment appraisal.   | K3(9)  |
| 5) | Management of Talash Ltd. Has the option to buy either Machine A or Machine B. Machine A has a cost of Rs. 75000. Its expected life is 6 years with no salvage value at the end. It would generate net cash flows of Rs. 20,000 per year. Machine B on the other hand would cost Rs. 50,000. Its expected life is 6 years with no salvage value at the end. It would generate net cash flow of Rs. 18,000 per year. Assuming that the cost of capital of both the machines is 10%, you are required to calculate the following:<br>a. Net Present Value of each machine<br>b. Which machine should be recommended and why? | K3(9)  |
| 6) | Explain the meaning of combined leverage. What does it measure? What would be the changes in the degree of combined leverage, assuming other things being equal, in each of the following situations?<br>1. The fixed costs increases.<br>2. The EBIT level increases.<br>3. The sale price decreases.<br>4. Variable cost decreases.  | K5(10) |
| 7) | A machine cost Rs. 1,25,000. The cost of capital is 15%. The net cash inflows are as under: Year Rs. 1 25,000 2 35,000 3 50,000 4 40,000 5 25,000. Discover internal rate of return and suggest whether the project should be accepted or not.   | K4(12) |
| 8) | Explain the importance of cost of capital. List out the different types of cost.   | K5(15) |
| 9) | Explain the various short- and long-term sources of capital  | K5(15) |

available to the business. Why it is difficult for small business to raise funds from the primary market?

10)

What is an annuity? Is an annuity worth more or less than a lump sum payment received now that would be equal to the sum of all the future annuity payments? Elaborate with the help of example.

K6(18)