

TERM END EXAMINATION-JUNE, 2019
MASTER OF COMMERCE (MCOM)

Course Code
MCO-6

FINANCIAL MANAGEMENT

TIME-03 Hours

FULL MARKS=100

(Answer any five questions form Group-A, any four questions from Group - 'B', any four questions from Group - 'C' and any two questions from Group - 'D')

Group-A

1. Answer any five questions each within 50 words.

Marks-2x5=10

Explain the following terms (Any 5)

- | | |
|--------------------------|-------------------------|
| (a) Risk-Return tradeoff | (e) Working capital gap |
| (b) Hedging | (f) Factoring |
| (c) Venture capital | (g) Cost of capital |
| (d) Annuity | (h) Retained earnings |

Group-B

2. Answer any four questions each within 100 words.

Marks-5x4=20

- (a) What is Force Majeure Risk?
- (b) Why and how do you calculate Debt Service Coverage Ratio? Give an example.
- (c) What does it mean by RED-CLAUSED letter of credit?
- (d) Distinguish between Reserve Capital and Capital Reserve.
- (e) What is time value of money and role of interest rates in it?
- (f) Distinguish between Funds Flow and Cash Flow.

Group-C

3. Answer any four questions each within 200 words.

Marks-10x4=40

- (a) What is Bower's model of Investment? Discuss in details.
- (b) What are the statutory guidelines on declaration of Dividend?
- (c) Write a note on 'Role of stock Exchanges'.
- (d) Distinguish between Project Finance and Corporate Finance.
- (e) Distinguish between Leasing and Hire Purchasing.
- (f) Suppose a TV manufacturer plans to manufacture 25000 CTVs for the year 2018. It purchases colour pictures tubes from other manufacturer. Its annual requirement of colour picture tube is 25000 units. The purchase cost is Rs.3500 per colour picture tube. The ordering cost is Rs.529.375 per order and carrying cost per annum is 10%. Determine the economic order quantity.

Group-D

4. Answer any two questions, each within 300 words.

Marks-15x2=30

(a) A company wishes to make an investment of Rs.50,000 in a machine. The machine has a life of 5 years. The profit after tax on account of this machine for next five years is Rs.7,500; Rs. 8,200; Rs.7,900; Rs.8,900 and Rs.6,500 respectively. Calculate the ARR(Annual Rate of Return or Average Rate of Return) for this investment purpose.

(b) The following data is available for ABC Ltd.

Particulars	Rs.
Sales	7,50,000
Variable Cost	4,20,000
Fixed Cost	60,000
Debt	4,50,000
Interest on Debt@	9%
Equity Capital	5,50,000

Calculate ROI, Operating, financial and combined leverages. Also ascertain the level at which EBIT will be zero.

(c) From the following information you are required to estimate the net working capital.

Particulars	Cost per unit (Rs.)
Raw materials	400/-
Direct labour	150/-
Overheads (Excluding Depreciation)	300/-
Total Cost	850/-

Additional information:

Selling Price	Rs.1000 per unit
Output	52,000 units per annum
Raw materials and Stock	Average 4 weeks

Work-in Progress:

(Consume 50% completion stage with full material consumption)	Average 2 weeks
Finished goods in stock	Average 4 weeks
Credit allowed by creditors	Average 4 weeks
Credit allow to debtors	Average 8 weeks

Cash at bank would be Rs.50,000. Assume that production is sustained at an even pace throughout the year and all sells are on credit basis. Please state any other assumption that you might have made while computing.
