MAY 2022 **P/ID 77938/RMB3P**

Time : Three hours Maximum : 80 marks

PART A — (10 × 2 = 20 marks)

Answer any TEN questions.

1. What is Investment decisions?

2. Give the meaning of the term Business Finance

3. What do you mean by preferred stock?

4. Define the term Discount factor.

5. What do you mean by NPV?

6. Mention the most disadvantages of pay back period?

7. What is meant by cost of capital?

8. What do you mean by combined leverage?

9. What do you mean by EBIT?

10. Mention any two sources of Working Capital.

11. What do you mean ABC Analysis?

12. What are the features of investment in marketable securities?

PART B — (5 × 6 = 30 marks)

Answer any FIVE questions.

13. Explain the objectives of financial management

14. A firm issues 12% debenture on the condition that the principal of Rs.72,000, will be repayable in six equal Installments from 2019 onwards. The company is required to pay tax at a rate of 60%. You are required to find out the cost of debt capital for the company.

15. A Company has net operating income of Rs.2,00,000, average cost of capital is 10% and the debt component of Rs.6,00,000 8% in the capital Mix. Find out the value of firm by Net operating Income approach

16. Critically examine the various steps involved in capital budgeting process.

17. Explain the any two methods of computing cost of capital.

18. Analyse the factor which determines the dividend policy.

19. How do you measure the credibility of a customer? Explain.

PART C — (3 × 10 = 30 marks)

Answer any THREE questions.

20. Explain the function of financial management in detail.

21. What are the techniques used in the process of controlling the inflow and outflow of cash?

22. Prepare an estimate of working capital requirement from the following data of a trading concern:

(a) projected annual sales 30,000 units

(b) selling price Rs.8 per unit

(c) percentage of profit 20%

(d) average credit period allowed to debtors 10 Weeks

(e) average credit period allowed by suppliers is 3 weeks.

(f) average stock holding in terms of sales requirement 10 weeks

(g) allow 20% for contingencies

23. From the following data, calculate Operating, Financial, Combined leverage. Interest Rs.10,000

Sales 15,000 units @ Rs.10 per unit and

Variable cost Rs. 4 per unit

Fixed cost Rs.20,000

24. A project costs an initial investment of Rs.40,000 and is expected to generate annual cash flows of Rs.16,000 for 4 years. Calculate IRR Present value of Re.1 at varying discount rate for a period of 4 years.

Year	19%	20%	22%
1	0.8403	0.8333	0.8196
2	0.7062	0.6944	0.6719
3	0.5934	0.5787	0.5507
4	0.4987	0.4823	0.4514