

2018

M. Com.

3RD Semester Examination

FUNDAMENTAL FINANCE

PAPER – COM – 304 (Opt.)

Full Marks : 50

Time : 2 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

UNIT – I

1. Answer any two questions of the following: 5 X 2

- (a) Cite any five practical situations where you can apply the knowledge of present and future value.
- (b) Explain the term Explicit Cost of Capital and Implicit Cost of Capital with an example for each.
- (c) You want to invest Rs 10000/- for five years and you have two options- invest in Scheme I for 9% p a simple interest and invest in Scheme II for 6% p a compounded annually. Show which scheme you will prefer with calculations.
- (d) Explain the three Finance Functions of a Firm.

2. Answer any one questions of the following: 10 X 1

- (a) (i) What is financial leverage? How is it different from Operating leverage?
- (ii) From the given information compute the DOL for the both companies X & Y

Items	Company X	Company Y
Sales (Rs)	2750000	3400000
Fixed Costs (Rs)	800000	1620000

Variable costs are 30% of sales for both companies 7+3

(Turn over)

(PAGE - 2)

- (b) (i) Calculate the compound value and the compound interest for Rs100/- for 20 years at an interest 5% p a.
- (ii) What sum will amount to Rs 1000/- in 12 years at 4% p a compound interest?
- iii) Calculate the compound value after three years, when Rs 10000/-is invested @ 10% interest p a.

UNIT – II

3. Answer any two questions of the following: 5 X 2

- a) Define NPV. Calculate the NPV of the following project. Assume the discount rate is 10% which increases by 1% every year.

Year	0	1	2	3	4
Cash Flow	-300000	125000	150000	200000	240000

- b) Discuss the importance of Working Capital. Explain operating Cycle?
- c) Give the importance of Capital Budgeting decision.
- d) Discuss the importance of dividend decisions.

4. Answer any one question of the following: 10 X 1

- a) i) What is dividend? Discuss the cash dividend and non – cash dividend.
- ii) Discuss any five factors that determine the dividend decisions. 5+5
- b) i) From the following particulars of XY Ltd, calculate the working capital requirements of the company. All price is per unit basis. Raw Material Rs 50, Direct labour Rs 20, Overhead Rs 40, Selling price Rs 130. Raw Material kept in store for one month. WIP for half a month. Credit allowed by supplier and debtor is one month each. Average time lag in payment of wages and overhead are 10 days and 30 days respectively. Finished goods lying in the store for one month. Level of production 54000 unita and the production carried out evenly.
- ii) Mention any five factors that affect the working capital requirement of a business.

(Internal Assessment :10 marks)