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MASTER OF COMMERCE (M.COM.)
EXAMINATION :MAY - 2022
FIRST SEMESTER
Sub: Financial Management (MCA-112)

Date:27/05/2022

Total Marks :100

Time: 02.00 pm to 05.00 pm

Instructions: 1) All questions are compulsory.
2) Figures to the right indicate full marks.

Q.1 Answer the following questions. (Attempt any two) (30)

1. C Ltd has Rs. 5,00,000 as its capital contributed by shares and dividends as follows:

Particulars	Book value	Market value
Equity Shares	2,00,000	3,00,000
Preference Shares	1,00,000	1,20,000
Debentures	2,00,000	1,80,000
Total	5,00,000	6,00,000

The following costs are incurred on the above mention issues of capital. Corporate tax rate is 50%

1. Price of shares is currently Rs. 150 and rate of dividend is Rs. 8 per share which is expected to grow at the end of the year by 7%

2. Rate of preference dividend is 11% and market price is Rs. 125

Debentures are carrying interest rate of 9%

Compute weighted average cost of capital using

1. Book value as weighted

2. Market value as weighted

2. Prepare a Cash Budget for three months ending 30th June, 2021 from the following

Months	Sales	Purchase	Salary	Selling Expenses
Jan	80,000	40,000	6,000	3,800
Feb	1,00,000	80,000	8,000	4,200
March	60,000	80,000	8,000	6,100
April	1,20,000	1,00,000	10,000	3,800
May	1,60,000	1,43,000	12,000	4,300
June	1,40,000	1,00,000	10,000	6,800

Additional Information

1. 30% of credit Sales will be realize in second month and 70% in next month.

2. Creditors given one month credit period.

3. Delay in payment of Salary half a month

4. Selling expenses are paid in same month.

5. Advance tax is Rs.4000 and payable in April.

6. Cash sales is 25% of total sales.

7. Opening Cash balance Rs. 40,000

3. The existing sales of Moon Ltd are Rs. 2 crores. The current customers are drawn from company having High or Good credit rating. With partially liberalized credit standards the company's sales are likely to go up by Rs. 24 lakh, the mix of new customers being 67 percent and 33 percent from the group rated Fair and Limited respectively. The average collection period is likely to be 45 days and the expected bad debts 10% for new customers. The contribution to sales ratio for Moon Ltd. is 20%. The cost of funds is 15%
4. Calculate degree of Operating Leverage degree of Financial leverage and degree of combine leverage for the firm
- | | |
|----------------------------|--------|
| Output in units | 75,000 |
| Fixed cost | 10,000 |
| Variable cost per unit | 0.30 |
| Interest on borrowed funds | 5,000 |
| Selling price per unit | 0.70 |

Q.2 Answer the following. (Attempt any three) (30)

1. Explain types of Long Term Strategies.
2. Explain various sources of short term finances.
3. C Ltd issued 5,000 equity shares of Rs. 100 each at a premium of 10%. The company is paying 15% dividend to Equity Shareholders since last five years and expected to continue in future also. Calculate the cost of Equity Capital.
4. Non-financial objectives of a firm , Explain
5. Acquisition discusses the term.

Q.3 Write short notes. (Attempt any four) (20)

1. Purpose of receivables.
2. Collection Programme.
3. EBIT-EPS analysis of a firm.
4. Senior Management
5. Letter of credit
6. Acquisition

Q.4 Select the Correct Alternatives (Attempt Any Ten) (20)

1. Short term plans are made by

a. Senior Management	b. Junior Management
c. Directors	d. Shareholders
2. EPS means

a. Earnings per share	b. Earning price share
c. Earning per stock	d. Economy per share
3. When fixed cost increase operating leverage.....

a. No effect	b. Remain stable
c. Increase	d. Decrease
4. NOI approach Stands for.....

a. Net operating Income	b. Non operating Investment
c. Non operating Income	d. Non operating Investment

5. Short term bank finance does not include.....
 - a. Letter of credit
 - b. Bills of purchasing
 - c. Overdraft
 - d. Housing loan
6.motives refer to the desire of affirm to take advantage of unexpected opportunity.
 - a. Unforeseen
 - b. Speculation
 - c. Precautionary
 - d. Compensation
7. ...has to achieve equilibrium between liquidity and profitability.
 - a. Financial manager
 - b. Sales Manager
 - c. Purchase Manager
 - d. Production Manager
8. The main purpose of granting credit is.....sales
 - a. Parallel
 - b. Decrease
 - c. Boost
 - d. Complete
9. Following is the example of cash receipt
 - a. Payment of loan
 - b. Purchase of Asset
 - c. Payment of Creditors
 - d. Sale of Asset
10. Operating Leverage has great impact on
 - a. Variable Cost
 - b. Semi variable Cost
 - c. Recurring Cost
 - d. Fixed Cost
11. Following is the example of cash payment
 - a. Purchase of Asset
 - b. Collection from debtors
 - c. Sales
 - d. Interest received
12. Acquisition is Type of strategy.
 - a. Survival
 - b. Short term
 - c. Non growth
 - d. Growth
