

**B. TECH. (COMPUTER SCIENCE & BUSINESS SYSTEMS) (CBCS - 2018 COURSE)**  
**B.Tech. (CSBS) Sem - VII : SUMMER : 2024**  
**SUBJECT: FINANCIAL MANAGEMENT**

Day : Tuesday  
Date : 14/05/2024

S-20479-2024

Time : 02:30 PM-05:30 PM  
Max. Marks : 60

**N.B.**

- 1) All questions are **COMPULSORY**.
- 2) Figures to the **RIGHT** indicate **FULL** marks.
- 3) Assume suitable data **WHEREVER** necessary.
- 4) Draw neat diagrams **WHEREVER** necessary.

**Q.1** What are the major types of financial decisions that business firms take? Illustrate. (10)

**OR**

**Q.1** An investor deposits Rs. 100 into his credit account that pays interest at the rate of 3.25% per year (Payable at the end of each year). He leaves the money and all accrued interest in the account for 7 years. How much will he have at the end of the 7 years? (10)

**Q.2** Explain the Capital Asset Pricing Model. How Security Market Line is derived from Capital Market Line? (10)

**OR**

**Q.2** Mr. Rohit wants to make investment in bonds in given alternative situations stated below; you are required to advise him in selecting the best option. (10)

Bond price = Rs. 500

Coupon Rate = 8 %

Life of the bond = 5 Years

Redemption value = Rs. 500

Rate of return = 10%

Options:

- i) Interest accrued annually
- ii) Interest accrued bi-annually

**Q.3** Calculate operating leverage, financial leverage and combined leverage under situation 1 and 2 in financial plans A and B from the following information relating to the operation and capital structure of a company. (10)

Installed capacity: 2000 units

Actual production and sales: 50% of the capacity

Selling price Rs. 20 per unit

Variable cost Rs. 10 per unit

Fixed cost:

Under situation-I = Rs. 4000

Under situation-II = Rs. 5000

Capital Structure:

Financial plan	A (Rs.)	B (Rs.)
Equity	5,000	15,000
Debt (Rate of interest 10%)	15,000	5,000
	20,000	20,000

**OR**

**Q.3** Operating leverage is determined by firm's cost structure and financial leverage by the mix of debt equity funds used to finance the firm's fixed assets. These two leverages combined provide a risk profile of the firm. Illustrate. (10)

P.T.O.

- Q.4 The following information has been extracted from the balance sheet of Fashions Ltd as on 31-12-2022 (10)

Particulars	Amount (Rs. in Lacs)
Equity share capital	400
12% debentures	400
18% term loan	1,200
	2000

Determine the weighted average cost of capital of the company. It had been paying dividend at a consistent rate of 20% per annum.

OR

- Q.4 What do you understand by capital structure of a corporation? Discuss the qualities which a sound capital structure should possess. (10)
- Q.5 Zenith Industrial Ltd. is thinking of investing in a project costing Rs. 20 Lakhs. The life of the project is five years and the estimated salvage value of the project is zero. Straight line method of charging depreciation is followed. The tax rate is 50%. The expected cash flows before tax are as follows: (10)

Year	1	2	3	4	5
Estimated cash flow before depreciation and tax (Rs. Lakhs)	4	6	8	8	10

You are required to determine the:

- Payback period for the investment
- Average rate of return on the investment
- Net present value at 10% cost of capital
- Benefit-cost ratio

OR

- Q.5 Describe the concept of discounted cash flow in making investment decisions and its superiority over the traditional methods of investment evaluation. (10)
- Q.6 A Performa cost sheet of company provides the following data: (10)

Cost per unit	Rs.
Raw Material	20
Direct Labour	8
Overheads	15
Total cost	43
Profit	7
Selling price	50

The following additional information available:

Average material in stock : one month

Average work in progress: half a month

Finished goods in stock: on average month

Credit allowed to debtors: two month

Credit allowed by suppliers: one month

Time lag in payment of wages: one month

Time lag in payment of overheads: one month

Cash balance is expected to be Rs. 90000

You are required to prepare a statement showing working capital needed to finance a level of activity of 52,000 units of output as per Total Approach Method of Working Capital Estimation. You may assume total production is carried on evenly throughout the year and wages and overheads occur.

OR

- Q.6 What is meant by working capital management? What are the determinants of workings capital needs of an enterprise? (10)

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