

GOVERNMENT COMMERCE COLLEGE, VADALI
INTERNAL EXAMINATION-FEB-MAR-2024
SUBJECT:FUNDAMENTALS OF FINANCIAL MANAGEMENT (SUBJECT CODE: CC 307)
B.COM. – 6 (WEF' 2020)
SECTION-A

DATE: 29/02/2024
DAY : THURSSDAY

EXAM TIME: 20 MINUTES
TOTAL MARKS : 10

You are required to attempt following Multiple Choice Questions. Students have to write compulsorily only “Correct Option” in the given Box. (Attempt Only 10 out of 12) (10)

01. Risk-return trade off implies _____.

- A. Increasing the portfolio of the firm through increased production.
- B. Not taking any loans which increases the risk.
- C. Not granting credit to risky customers.
- D. Taking decision in such a way which optimizes the balance between risk and return.

02. _____ security is known as variable income security.

- A. Debentures.
- B. Preference shares.
- C. Equity shares.
- D. Ploughing back of Profits.

03. “Financial Planning pertains only to the function of finance and includes the determination of Firm’s financial objectives, financial policies & financial procedures.” This statement of the meaning of a term Financial Planning is constructed by _____

- A. Henry Hoagland
- B. Walker & Baughn
- C. Ezra Solomon & John Pringle
- D. Gesternberg

04. Which of the following is not normally a responsibility of the treasurer of the modern corporation but rather the controller?

- A. Budgets and forecasts.
- B. Asset management.
- C. Investment management.
- D. Financial management.

05. Which of the following statements is not correct regarding earnings per share (EPS) maximization as the primary goal of the firm?

- A. EPS maximization ignores the firm's risk level.
- B. EPS maximization does not specify the timing or duration of expected EPS.
- C. EPS maximization naturally requires all earnings to be retained.
- D. EPS maximization is concerned with maximizing net income.

06. Which of the following is the first step in capital budgeting process?

- A. Final approval.
- B. Screening the proposal.
- C. Implementing proposal .
- D. Identification of investment proposal.

07. The term _____ refers to the period in which the project will generate the necessary cash flow to recoup the initial investment.

- A. Internal return.
- B. Payback period.
- C. Discounting return.
- D. Accounting return.

08. Star Ltd. issues Rs.50,000; 8% debentures at a discount of 5%. The tax rate is 50% the cost of debt capital is _____.

- A. 4%.
- B. 4.2%.
- C. 4.6%.
- D. 5%.

09. _____ is one that maximizes value of business, minimizes overall cost of capital, that is flexible, simple and futuristic, that ensures adequate control on affairs of business by the owners and so on.

- A. Minimal Capital Structure.
- B. Moderate Capital Structure.
- C. Optimal Capital Structure.
- D. Deficit Capital Structure.

10. "Capitalization comprises of the value of shares of different classes, creditorship securities, the Amount of long-term loans & the value of securities". This expression is put forward by _____

- A. Guthmann&Dougall
- B. Shri M. C. Shukla
- C. Husband & Dockery
- D. Lillin Doris

11. If at the time of establishment, total value of assets of the company is not equal to share capital it has Issued, the difference is known as _____

- A. Sinking Capital
- B. Hidden Capital
- C. Aired Capital
- D. Watered Capital

12. A proposal is not a Capital Budgeting proposal if it _____

- A. is related to Fixed Assets
- B. brings long-term benefits
- C. brings short-term benefits only
- D. has very large investment

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SECTION - B

DATE: 29/02/2024
 DAY : THURSDAY

EXAM TIME: 1 HOUR
 TOTAL MARKS: 30

Q-1. Answer the following questions: (15)

- (A). Elaborate the significant responsibility of a Finance Manager.
 (B). Enumerate the Financial Planning Strategy.
 (C). Expound the Span of Financial Management.
 (D). Information of **Santoor Ltd.** and **Dove Ltd.** is as under:

Particulars	Santoor Ltd. Rs.	Dove Ltd. Rs.
Gross Assets	12,35,125.65	12,35,125.65
9% Debentures	-	5,00,000
Equity Share Capital of Rs. 10 each	10,00,000	5,00,000
10% Preference Share Capital of Rs. 100 each	5,00,000	5,00,000
Rate of Earnings before Interest & Taxation	20%	20%
Tax Rate	30%	30%
Surcharge	5%	5%

Find out the EPS of Santoor Ltd. and Dove Ltd. and give reasons for the difference in EPS.

OR

Q-1. Answer the following questions: (15)

- (A). Exhibit dissimilarities with respect to Traditional Approach & Modern Approach.
 (B). Interpret the sources of Over-capitalization & Under-capitalization & list out remedies of the both.
 (C). Set forth the crucial qualities of the Absolute Capital Structure.
 (D). Narrate the kinds & pros-cons of Trading on Equity.

Q-2. Answer the following questions: (15)

- (A). Elucidate the components of Capital Structure.
 (B). Clarify the elements governing Working Capital Necessities.
 (C). Illuminate the superiority of Cost of Capital with respect to its significance.
 (D). Express your ideas with respect to essential aims for Holding Cash.

OR

Q-2. Answer the following questions: (15)

- (A). Explicate the various forms of Working Capital.
 (B). Throw light on “Greatness of NPV & IRR as Techniques of Capital Budgeting”.
 (C). Present your thoughts on “Dangers of Abundant Working Capital & Scarce Working Capital”.
 (D). **Nivea Ltd.** is considering the purchase of a New Plant which will carry out some operations performed by labour. There are two options available: **Plant ‘Dazzling’** & **Plant ‘Amazing’**. From the following information you are required to prepare a Profitability Statement & work out the Pay-back Period and Return on Original Investment in respect of Each Plant:

Particulars	Plant 'Dazzling'	Plant 'Amazing'
Estimated Life of Plant	10 Years	12 Years
	Amt. Rs.	Amt. Rs.
Acquisition Cost of Plant	2,88,318	4,87,126
Establishment Charges of Plant	11,682	12,874
Cost of Indirect Materials	6,000	8,000
Estimated Savings in Scrap	10,000	15,000
Additional Cost of Maintenance	19,000	27,000
Estimated Savings in Direct Labour:		
Number of Labourers not required	150	200
Labour Per Labourer	600	600

Additional Information:

(i).Income-tax is to be considered as 50% of Profit.

(ii).For the purpose of calculation of income-tax, depreciation is to be ignored.

Which Plant would you recommend ? State your comments in detail.

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