



## **BRAINWARE UNIVERSITY**

## Term End Examination 2022 Programme – B.Com.(BFA)-Hons-2018 Course Name – Fundamentals of Financial Management Course Code - BCM502 ( Semester V )

Full Marks : 70 Time : 3:0 Hours

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

## **Group-A**

(Multiple Choice Type Question)

1 x 15=15

- 1. Choose the correct alternative from the following:
- (i) Choose the one which is not an objective of SEBI?

a)

To provide security to BSE employees.

- b) Preventing the fraudulent practices and malpractices which are related to trading and regulation of the activities of the stock exchange.
- c) To develop a code of conduct for the financial intermediaries such as underwriters, brokers, etc.
- d) To maintain a balance between statutory regulations and self-regulation.
- (ii) Choose among the following which is related to underwriting of shares by a financial intermediary.
  - a) Cash based activity

b) Fund based activity

c) Time based activity

- d) All of the above
- (iii) Choose the name which is given to the direct sale of security to investors.
  - a) Self -group

b) Government placement

c) Private placement

- d) None of the above
- (iv) Choose the one which is not covered in The SEBI Act 1992.
  - a) Insurance

- b) Fund sources of SEBI, as in grants made available by the Union Government
- c) Powers and Functions of the Board
- d) Composition and actions of the SEBI Board members
- (v) A company raised preference share capital of Rs. 1,00,000 by the issue of 10% preference share of Rs. 10 each. Find out the cost of preference share capital when it is issued at 10% premium.
  - a) 0.0709

b) 0.0809

c) 0.0908999999999999

- d) 0.1009
- (vi) A company raised preference share capital of Rs. 1,00,000 by the issue of 10% preference share of Rs. 10 each. Find out the cost of preference share capital when it is issued at 10% discount.
  - a) 0.1111

	c) 0.1311	d) 0.1411	
(vii)	Dividend now = Rs. 2; Price now = Rs. 27.50; Grequity.	owth = 10%. Calculate the cost of	
	a) 0.15	b) 0.17	
/:::\	c) 0.22	d) 0.18	
(VIII)	Which of the following is NOT a cash outflow fo		
	<ul><li>a) Dividends</li><li>c) Taxes</li></ul>	<ul><li>b) Intereest payments</li><li>d) depreciation</li></ul>	
(ix)	Choose the one which would be consistent with	•	
financing working capital.			
	a) Financing short-term needs with short-	b) Financing permanent inventory bui	ldup
	term funds.	with long-term debt.	·
	c) Financing seasonal needs with short-term	d) Financing some long-term needs w	ith
/ <sub>1</sub> , \	funds.	short-term funds.	
(X)	Which of the following would be considered a a		
	<ul><li>a) a decrease in accounts receivable</li><li>c) an increase in account payable</li></ul>	b) a decrease in cash d) an increase in cash	
(xi)	All of the following influence capital budgeting	•	
(,	a) accelerated depreciation	b) salvage value	
	c) tax rate changes	d) method of project financing used	
(xii)	(xii) Which would be an appropriate investment for temporarily idle corporate cash that will		
be used to pay quarterly dividends three months from now?			
	a) A long-term AAA-rated corporate bond	b) A 30-year Treasury bond with a curr	rent
	with a current annual yield of 9.4 percent	annual yield of 8.7 percent	
	c) Common stock that has been appreciating in price 8 percent annually, on average, and	d) Ninety-day commercial paper with	a
	paying a quarterly dividend that is the	current annual yield of 6.2 percent	<b>.</b>
	equivalent of a 5 percent annual yield	, ,	
(xiii)	Which of the following marketable securities is	the obligation of a commercial bank?	
	a) Commercial paper	b) Repurchase Agreements	
<i>(</i> )	c) Negotiable certificate of deposit	d) T-Bills	
(XIV)	Select among the following, which is involved in		
	<ul><li>a) Efficient price discovery</li><li>c) Price reduction</li></ul>	b) Improving books of accounts d) Booking a new apartment	
(xv)	Solve for working capital turnover ratio is sales		;
(,,,,	Rs. 50000.		
	a) 2	b) 3	
	c) 4	d) 5	
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<b>Group-B</b> (Short Answer Type Questions) 3 x 5=15			
	(Short Answer Ty	pe Questions)	3 x 5=15
2 F	xplain leverage in financial management.		(3)
3. Total value of equity is Rs. 6,25,000 and its cost of capital I 0.1014 and total value of			(3)
retained earnings is Rs. 18,75,000 and its cost of capital is 0.1. Calculate WACC.			. ,
4. Explain the relationship between nominal interest and effective interest.			(3)
5. Define PVIFA and FVIFA.			(3)
6. Express the difference between working capital ratio and acid test ratio.  OR			(3)
Write a short note on loan amortization table.			(3)
	Grou	p-C	
(Long Answer Type Questions) 5 x 8=40			

7. Calculate the present value of each of the following cash flows using a discount rate of 13 (5) per cent: Rs. 6,000 cash inflow one year from now, Rs. 7,000 cash inflow three years from 8. Calculate the effective rate of interest if the nominal rate of interest is 13% compounded (5) annually, semi-annually, quarterly and monthly. 9. The cash inflow for next two years are Rs. 20000 and Rs. 30000 respectively against a cash (5) outflow of Rs. 40000 now. Evaluate the NPV if the required rate of return is 10%. 10. Explain the functions of financial management. (5) (5) 11. Explain the usefulness of Ratio Analysis. 12. Explain the role of finance in a business. (5) 13. Define present value & future value of money with examples. (5) 14. The cash inflow for next two years are Rs. 20000 and Rs. 30000 respectively against a cash (5) outflow of Rs. 50000 now. Evaluate the NPV if the required rate of return is 10%. Your father has promised to give you Rs. 100,000 in cash on your 25th birthday. Today is (5) your 16th birthday. He wants to know if he decides to make annual payments into a fund after one year, how much will each have to be if the fund pays 8 per cent?

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