

# END TERM EXAMINATION

SIXTH SEMESTER [B.COM(HONS.)] MAY 2019

Paper Code: B.COM-302

Subject: Financial Management

Time: 3 Hours  
Maximum Marks: 75

Note: Attempt any five questions.

Q1 (a) From the following information prepare a summarised Balance sheet as at 31st March, 2018:

Working Capital.....	Rs. 2,40,000
Bank Overdraft.....	Rs. 40,000
Fixed Assets to proprietary ratio.....	0.75
Reserves and Surplus .....	Rs. 1,60,000
Current Ratio.....	2.5
Liquid Ratio .....	1.5

(b) Explain the Dividend Discount Model of valuation of shares with the help of an example under the assumption of single stage growth. (5)

What are the financial decisions which are taken by a finance manager in a company? How these decisions are affected by financial and economic environment of the country. (15)

Q3 (a) Y limited requires Rs. 50,00,000 for a new project. This project is expected to yield EBIT Rs. 10,00,000. While deciding about the financial plan, the company considers the objective of maximising earning per share. It has two alternatives to finance the project by raising debt of Rs. 5,00,000 or Rs. 20,00,000 and balance, in each case, by issuing equity shares. The Y Ltd's share is presently selling at Rs. 300, but is expected to fall to Rs. 250 in case funds are borrowed in excess of Rs. 20,00,000. The funds can be borrowed at the rate of 12% up to Rs. 5,00,000 and at 10% over Rs. 5,00,000. The tax rate applicable to the company is 25%. Which form of financing should the company choose? (10)

(b) Explain the importance of trade credit and accruals as source of short-term finance. Discuss the cost of these sources. (5)

How does capital structure decisions affect the valuation of a company? Explain the NOI Theory of capital structure with the help of an example. How this theory is different from M.M. Theory. (15)

(a) What is the importance of capital budgeting decisions in a firm? (8)

(b) Write short notes on following:- (7)

(i) Financial Leverage

(ii) Operating Leverage

(c) Give reasons for considering risk in Capital Budgeting decisions. How this risk is quantified? Explain. (5)

(d) A company has to make a choice between two projects namely A and B. The initial capital outlay of two projects are Rs. 1,35,00,000 and Rs. 2,40,00,000 respectively for A and B. There will be no scrap value at the end of the life of both the projects. The opportunity cost of capital of the company is 16%. The annual incomes are as under: (15)

Year	Project A (Rs.)	Project B (Rs.)	Discounting factor @ 16%
1	30,00,000	60,00,000	0.8621
2	1,32,00,000	84,00,000	0.7432
3	84,00,000	96,00,000	0.6407
4	84,00,000	1,02,00,000	0.5523
5	84,00,000	90,00,000	0.4761

You are required to Calculate for each project:

- (i) Discounted payback period
- (ii) Profitability Index
- (iii) Net present value

Following information relating to Bee Ltd. are given:

Particulars:	Rs. 10,00,000
Profit After Tax	50%
Dividend Pay-out Ratio	50,000
Number of Equity shares	10%
Cost of Equity	12%
Rate of Return on Investment	

(a) What would be the market value per share as per Walter's model? (10)

(b) What is the optimum dividend pay-out ratio according to Walter's Model and Market value of equity shares at that pay-out ratio? (10)

(c) Give the reasons as per MM. Approach which consider dividend decisions as irrelevant. (5)

Q8

A newly formed company has applied to the commercial bank for the first time for financing its working capital requirements. The following information is available about the projections for the current year: Estimated level of activity: 1,04,000 completed units of production plus 4,000 units of work-in-progress. Based on the above activity, estimated cost per unit is:

Raw material	Rs. 80 per unit
Direct wages	Rs. 30 per unit
Overheads (exclusive of depreciation)	Rs. 60 per unit
Total cost	Rs. 170 per unit
Selling price	Rs. 200 per unit
Raw materials in stock: Average 4 weeks consumption, work-in-progress (assume 50% completion stage in respect of conversion cost) (materials issued at the start of the processing).	8000 units
Finished goods in stock	Average 4 weeks
Credit allowed by suppliers	Average 8 weeks
Credit allowed to debtors/receivables	Average 1 1/2 weeks
Lag in payment of wages	

Cash at banks (for smooth operation) is expected to be Rs. 25,000. Assume that production is carried on evenly throughout the year (52 weeks) and wages and overheads accrue similarly. All sales are on credit basis only.

- (a) Net Working Capital required;
- (b) Maximum Permissible Bank finance under first and second methods of financing as per Tandon Committee Norms. (15)

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(Please write your Exam Roll No.)

Exam Roll No. 40890733316

## END TERM EXAMINATION

SIXTH SEMESTER [B.COM(HONS.)] MAY-JUNE 2019

Paper Code: B.COM-306

Subject: International Business

Time: 3 Hours

Maximum Marks: 75

Note: Attempt any five questions. All questions carry equal marks.

- Q1 What do you understand by International business? Discuss challenges and opportunities offered by International Business.
- Q2 Discuss the recent trade war scenario particularly between USA and China. Critically examine the position prevailing these days and possible impact on future state of international business.
- Q3 What is the operational mechanics of tariff and non tariff barriers? Discuss in the context of International Business theories. Also give suitable examples from recent past.
- Q4 Why do you think existing international monetary system tends to generate financial imbalances thereby enhancing risk of financial institutions? Suggest ways and means to overcome these short comings and techniques to improve global integration.
- Q5 What role IMF and World Bank play in international trade and commerce? Who controls IMF and World Bank? Also state the difference in the role of IMF and World Bank.
- Q6 "The Capital inflow of foreign investors allows strengthening of infrastructure, increase productivity and create employment opportunity". Do you agree? Analyse role of FDI in the context of India.
- Q7 How deregulation of local markets have stimulated in bound merges and acquisition in India? Critically examine.
- Q8 Write short notes on **any three** of the following:-  
(a) Motivating employee in global context.  
(b) Multicultural management  
(c) Concept of strategic alliances  
(d) Role of Information Technology (IT) in International Business

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# END TERM EXAMINATION

SIXTH SEMESTER [B.COM(HONS.)] MAY - JUNE 2019

Paper Code: B.COM-312

Subject: Introduction to Derivatives

Time: 3 Hours

Maximum Marks: 75

Note: Attempt five questions in all including Q no. 1 which is compulsory.  
Select one question from each unit.

- ~~Q1~~ Comment on the following statements:- (5x3=15)  
~~(a)~~ Put option buyer pays no premium.  
~~(b)~~ Derivatives promote speculation.  
~~(c)~~ Position in futures contracts can be squared off by reverse trade.

## UNIT-I

- Q2 Trace the history of evolution of derivative contracts. (15)  
~~Q3~~ Explain how derivatives are used as a risk management tool? (15)

## UNIT-II

- Q4 What is cash and carry arbitrage? How it is executed? (15)  
Q5 State the theoretical models for pricing the futures contracts. Which of these are widely used? Also, indicate their assumptions behind these models. (15)

## UNIT-III

- Q6 List the various factors indicating their impact on the valuation of financial options. (15)  
~~Q7~~ Discuss the role of clearing house in settlement of Futures and Options contracts. (15)

## UNIT-IV

- Q8 Highlight the major provisions of Securities Contracts (Regulation) Act, 1956 dealing with derivative transactions on stock exchanges in India. (15)  
~~Q9~~ Briefly describe the following:- (7.5x2=15)  
~~(a)~~ Taxation of Derivatives Transactions  
~~(b)~~ Accounting for Options

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