

Roll.No.

23PCOCT2008

SHRIMATHI DEVKUNVAR NANALAL BHATT VAISHNAV COLLEGE FOR WOMEN
(AUTONOMOUS)

(Affiliated to the University of Madras and Re-accredited with 'A+' Grade by NAAC)
Chromepet, Chennai - 600 044.

M.Com.- END SEMESTER EXAMINATIONS - NOVEMBER 2025

SEMESTER - II

23PCOCT2008 - Business Finance

Total Duration : 2 Hrs. 30 Mins.

Total Marks : 60

Section B

Answer any **SIX** questions ($6 \times 5 = 30$ Marks)

- Ms.Kamala, deposits Rs.5,000 at the beginning of each year for 3 years at 10%. What is the maturity value after 3 years?
- Explain the various modes of startup financing with suitable examples.
- Two components A and B are used as follows: Normal usage: 50 units each per week. Minimum usage: 25 units each per week. Maximum usage: 75 units each per week. Re-order quantity: A – 300 units, B – 500 units. Re-order period: A – 4 to 6 weeks, B – 2 to 4 weeks. From the above details calculate the 1.Re-order level 2. Minimum level. 3. Maximum level. 4. Average stock level.
- Consider the following proposed investments with the indicated the cash flows:

Investment	Initial Outlay (Rs. '000)	Year-end cash inflows		
		Year 1 (Rs. '000)	Year 2 (Rs. '000)	Year 3 (Rs. '000)
A	200	200	Nil	Nil
B	200	100	100	100
C	200	20	100	300
D	200	200	20	20
E	200	140	60	100
F	200	160	160	80

Rank the investments deriving the NPV using the discount rate of 10%, and state your view.

Year	1	2	3
P.V. factor @ 10%	0.909	0.826	0.751

- An investor has invested ₹50,000 in a portfolio consisting of two assets:
Asset X expected return = 10%
Asset Y expected return = 14%
The investment proportion is 60% in X and 40% in Y. Calculate the expected return of the portfolio.

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6. A machine costing ₹5,00,000 can be leased for ₹1,20,000 per year for 5 years. The cost of capital is 10%. The machine has no salvage value at the end of 5 years. Compute the Present Value (PV) of lease payments and state whether leasing is financially attractive compared to buying the asset outright.
7. Explain in detail above objectives and importance of cash management.
8. There are two projects A and B. The cost of the project is Rs.30,000 in each case. Calculate the Payback period. The cash inflows are as under:

	Cash inflow	
Year	Project A	Project B
1	10,000	2,000
2	10,000	4,000
3	10,000	24,000

Section C

I - Answer any **TWO** questions (2 × 10 = 20 Marks)

9. Calculate the present value of the following cash inflows if the rate of interest is 10%.

Year	1	2	3	4	5
Amount	5,000	6,000	7,000	8,000	9,000

10. Classify the various criteria used for evaluating investment proposals under risk and uncertainty. How does diversification help in minimizing portfolio risk?
11. Explain in detail about advantages and disadvantages of leasing?
12. ABC Company Ltd. has given the following particulars. You are required to prepare a cash budget for the three months ending 31st December 2005:
- a)

Months	Sales (Rs.)	Materials (Rs.)	Wages (Rs.)	Overheads (Rs.)
August	20,000	10,200	3,800	1,900
September	21,000	10,000	3,800	2,100
October	23,000	9,800	4,000	2,300
November	25,000	10,000	4,200	2,400
December	30,000	10,800	4,500	2,500

(b) Credit terms are:

- Sales / Debtors: 10% sales are on cash basis, 50% of the credit sales are collected next month and the balance in the following month.
- Creditors:
 - o Materials – 2 months
 - o Wages – 1/5 month
 - o Overheads – 1/2 month

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- (c) Cash balance on 1st October 2005 is expected to be Rs.8,000.
- (d) A machinery will be installed in August 2005 at a cost of Rs.1,00,000. The monthly instalment of Rs.5,000 is payable from October onwards.
- (e) Dividend at 10% on preference share capital of Rs.3,00,000 will be paid on 1st December 2005.
- (f) Advance to be received for sale of vehicle Rs.20,000 in December.
- (g) Income-tax (advance) to be paid in December Rs.5,000.

II - Compulsory question (1 × 10 = 10 Marks)

13. A Limited Company is considering investing in a project requiring a capital outlay of Rs.2,00,000. Forecast of annual income after depreciation but before tax is as follows:

Year	Rs.
1	1,00,000
2	1,00,000
3	80,000
4	80,000
5	40,000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income.

Calculate:

- a) Pay-back method.
- b) Rate of return on original investment.
- c) Rate of return on average investment.
- d) Discounted cash flow method taking cost of capital at 10%.
- e) Excess present value index.
