

Reg. No. :

Code No. : 5645

Sub. Code : WKCM 11/
VKCC 11

M.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2024.

First Semester

Commerce – Core

BUSINESS FINANCE

(For those who joined in July 2023 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (15 × 1 = 15 marks)

Answer ALL questions.

Choose the correct answer :

1. Time value of money is expressed through
 - (a) Dividend rate
 - (b) Interest rates
 - (c) Discounting rates
 - (d) Annuity

(b) Initial investment - Rs. 60,000

Life of asset - 4 Years

Estimated net annual Cash Flows :

Rs.

I year 15,000

II year 20,000

III year 30,000

IV year 20,000

Calculate Internal Rate of Return (IRR).

Note : The following tables gives the present value of Re.1 due in 'n' number of years.

Year	P.v. Factor at 10 %	P.v. Factor at 12 %	P.v. Factor at 14 %	P.v. Factor at 15 %
1	0.909	0.892	0.877	0.869
2	0.826	0.797	0.769	0.756
3	0.751	0.711	0.674	0.657
4	0.683	0.635	0.592	0.571



2. The process of calculating the future value of present cash flows is called
- (a) Discounting
 - (b) Doubling
 - (c) Compounding
 - (d) Perpetual
3. A fund created by appropriating a fixed sum of money to meet certain future liabilities is called
- (a) Sinking fund
 - (b) Annuity
 - (c) Insurance
 - (d) Present value
4. The risk of portfolio can be measured by
- (a) Arithmetic mean
 - (b) Standard deviation
 - (c) Correlation
 - (d) Regression
5. A portfolio having two risky securities can be turned risk less
- (a) The securities are completely positively correlated
 - (b) If the correlation ranges between zero and one
 - (c) The securities are completely negatively correlated
 - (d) None of the above

6. The risk which arises due to general, economy wide factor is
- (a) Material risk
 - (b) Unique risk
 - (c) Default risk
 - (d) Income risk
7. Close – end leasing is also known as
- (a) Walk away lease
 - (b) Financial lease
 - (c) True lease
 - (d) Ballon lease
8. A form of equity financing designed especially for funding high risk and high reward Project is known as
- (a) Factoring
 - (b) Working capital
 - (c) Venture capital
 - (d) Short-term capital
9. The most liquid asset is
- (a) Bank balance
 - (b) Cash
 - (c) Debtors
 - (d) stock
10. ABC analysis is
- (a) Always better control
 - (b) Advantage of better control
 - (c) At best control
 - (d) None of the above



11. Cash includes
 (a) Coins (b) Cheques
 (c) Currency note (d) All the above
12. A firm can follow strict credit policy in case its products have
 (a) No demand (b) High demand
 (c) Low demand (d) High supply
13. Capital budgeting deals with
 (a) Working capital
 (b) Long term investments
 (c) Short term investment
 (d) None of these
14. Net present value is difference between
 (a) Cash received and paid
 (b) Investment and income
 (c) Present value of cash inflows and outflows
 (d) None of these
15. IRR is the rate of return at which
 (a) NPV is Nil
 (b) NPV is Positive
 (c) NPV is Negative
 (d) ARR is Nil

PART B — (5 × 4 = 20 marks)

Answer ALL questions, choosing either (a) or (b).
 Each answer should not exceed 250 words.

16. (a) Describe the scope of business finance.
 Or
 (b) Mr. Ram deposits Rs. 10,000 for 3 years at 10%. What is the compound value of his Deposits?
17. (a) Summarize the sources of risk.
 Or
 (b) Mr. Raju holds on Shares in Naveen Ltd. He estimates the possible return and their probability as under. Calculate the expected return and SD.
- | Possible return (%) | Probability |
|---------------------|-------------|
| -20 | 0.10 |
| -10 | 0.10 |
| 20 | 0.50 |
| 30 | 0.30 |
18. (a) Indicate the limitations of Lease financing.
 Or
 (b) Who is an Angel investors? Explain its types.



19. (a) Monthly cash requirement - Rs. 60,000
 Fixed cost per transaction - Rs. 10
 Interest rate on marketable securities - 6 % p.a
 You are required to calculate optimum cash balance.

Or

- (b) A factory requires 1500 units of an item per month, each costing Rs. 27. The cost per order is Rs. 150 and the inventory carrying charges work out to 20 percent of the average inventory.
 Find out the Economic Order Quantity and the number of orders per year.
20. (a) A project cost of Rs. 500,000 yield annually a profit of Rs. 80,000 after depreciation @ 12% per annum. But before tax of 50%. Estimate pay back period.

Or

(b) Project X initially costs Rs. 25,000. It generates the following cash inflows:

Year	Cash inflows Rs.	Present Value of Re. 1 at 10 %
1	9,000	0.909
2	8,000	0.826
3	7,000	0.751
4	6,000	0.683
5	5,000	0.621

Taking the cut — off rate as 10%, suggest whether the project should be accepted or not.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b)
 Each answer should not exceed 600 words.

21. (a) Describe the objectives of Business finance.

Or

- (b) Sri Vignesh industries Ltd. Offers 12% interest on fixed deposits. What is the effective rate of interest if compounding in done
- (i) Half yearly
 (ii) Quarterly
 (iii) Monthly?

22. (a) Explain various approaches for measurement of Business return.

Or

- (b) The Return on investment of Companies Sun Ltd. and Moon Ltd. are given below. Using Co-efficient of variation. Determine which Company has higher risk?

Year	Sun Ltd.	Moon Ltd.
2010	12	15
2011	15	12
2012	16	14
2013	13	11



23. (a) Enumerate the advantages Leasing.

Or

(b) Explain the various stages of venture capital financing.

24. (a) From the following you are required to calculate

(i) Debtors turnover and

(ii) Average age of debtors

	2015 Rs.	2014 Rs.
Net sales	18,00,000	15,00,000
Debtors at the beginning	1,72,000	1,60,000
Debtors at the end	2,34,000	1,72,000

Or

(b) The following information is available from the records of a firm:

(i) On an average, accounts receivable are collected after 80 days; Inventories have an average of 100 days and Accounts payable are paid approximately 60 days after they arise.

(ii) The firm spends a total of Rs. 16,20,000 annually at a constant rate.

(iii) It can earn 10% on investment.

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Calculate

(1) The Firms Cash cycle

(2) Cash turnover assuming 360 days in a year

(3) Minimum amount of cash to be maintained to meet payments when they become due.

(4) Savings by reducing the average age of inventories to 70 days.

25. (a) Bharath Ltd. Has Rs. 2,00,000 to invest. The following proposals are under Consideration. The cost of capital of the company is estimated to be 15%.

Project	Initial Outlay Rs.	Cash Inflow Rs.	Life (years)
A	1,00,000	25,000	10
B	70,000	20,000	8
C	30,000	6,000	20
D	50,000	15,000	10

Rank the project on the basis of :

(i) Net present value method

(ii) Profitability index method.

Or

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