

Bachelor of Commerce with Accountancy, Finance and Insurance (BAFI)

Examination: April 2026

Day & Date	Semester	Subject Name	Time	Code	Max. Marks
Wednesday 08/04/2026	V	Financial Management	02.30 p.m. to 05.00 p.m.	541119	75

Instruction: I. Attempt any Three Questions from the following.

II. All Questions carry equal marks

III. Proper presentation & neatness is essential.

IV. Working notes should form part of your answer.

V. Use of Simple Calculator is allowed.

Q. 1 A) Explain Public Deposits and Bank Credit are the sources of Short term Finance **(15)**

Q. 1 B) Explain Shares and Debentures are the sources of Long term finance. **(10)**

Q. 2 A) Using the information given below compute the **payback period & net present value:-**

Initial Outlay Rs.1,60,000, Estimated life 5 years.

Profit after tax

1st year Rs. 12,000

2nd year Rs. 28,000

3rd year Rs. 48,000

4th year Rs. 32,000

5th year Nil

Depreciation has been calculated under straight line method. The cost of capital may be taken at 20% p.a. and p.v. of Rs. 1 at 20% p.a. is given below.

Year	1	2	3	4	5
p.v. factor	0.83	0.69	0.58	0.48	0.40

Q. 2 B) From the following details calculate **Average Rate of Return.** **(15)**

Particular	Machine A	Machine B
Cost	2,25,000	4,50,000
Estimated life	5 year	5year
Rate of Income Tax	30%	30%
Profit before Depreciation and tax		

1 st year	50,000	90,000
2 nd year	75,000	1,00,000
3 rd year	1,00,000	1,80,000
4 th year	90,000	1,30,000
5 th year	45,000	1,10,000

Q. 3 A) Following is the capital structure of ABC Ltd.

Source	Rs.
Equity Capital	4,50,000
Retained Earning	1,50,000
Preference Share Capital	1,00,000
Debt	3,00,000

The firm's after tax component cost of various sources of finance are as follows

Source	Cost
Equity Capital	14%
Retained Earning	13%
Preference Share Capital	10%
Debt	4.5%

Calculate weighted average cost of capital (5)

Q. 3 B) B Ltd. Issued 1,000 12% Redeemable Debentures of Rs. 100 each at 5% discount and redeemable after 5 years at 10% premium. Corporate tax rate 30%. Calculate cost of Debt. (5)

Q. 3 C) Considering the most desirable capital structures of cost of debt and equity capital (both after tax) have been made at various levels of financial average.

Debt as a % of Total Capital Employed	Cost of debt	Cost of equity
0	5%	12%
10	5%	12%
20	5%	12.5%
30	5.5%	13%
40	6%	14%
50	6.5%	16%
60	7%	20%

Advise the company of the optimal Debt Equity mix on the basis of Composite Cost Capital. (15)

Q. 4 A) Ambika Ltd. Sells 2,000 units per annum. The selling price per unit is Rs.300 and the variable cost per unit is Rs. 70. The fixed operating cost is Rs.60,000. Calculate Operating Leverage. **(5)**

Q. 4 B) Compute Financial Leverage from the following information. **(5)**

Particulars	Rs.
Interest	10,000
Sales (1,000 units)	1,00,000
Variable cost	50,000
Fixed cost	30,000

Q.4 C) The following information is available in respect of two firms P Ltd. And Q Ltd.

Figures in Rs. Lakhs

Particulars	P Ltd	Q. Ltd.
Sales	500	1,000
- variable	200	300
contribution	300	700
- fixed cost	150	400
EBIT	150	300
- Interest	50	100
Profit before tax	100	200

You are required to calculate different leverages for both the firms and also comment on their relative risk position. **(15)**

Q. 5 Write a Short Notes Any Three. **(25)**

- Cost of Capital
- Time Value of Money
- Present Value
- Cash inflow and cash outflow
- Difference between NPV and IRR
