

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**  
**(For candidates admitted during the academic year 2019-2020 and thereafter)**

**B.VOC DEGREE EXAMINATION –APRIL 2024**  
**BANKING, FINANCIAL SERVICES AND INSURANCE**  
**FOURTH SEMESTER**

**COURSE : MAJOR – CORE**  
**PAPER : INTRODUCTION TO FINANCIAL MANAGEMENT**  
**SUBJECT CODE : 19VB/VM/FM46**  
**TIME : 3 HOURS** **MAX. MARKS: 100**

**SECTION – A**

**Answer ALL questions:**

**(10 x 2 = 20)**

1. What is dividend decision?
2. Write a note on wealth maximization.
3. State the characteristics of investment decisions.
4. Identify any two limitations of the payback method.
5. What is Time Value of Money?
6. A company has the following current assets and current liabilities: Current Assets:  
Cash: Rs.10,000  
Accounts Receivable: Rs.20,000  
Inventory: Rs.30,000 Current Liabilities:  
Accounts Payable: Rs.15,000  
Short-term Debt: Rs.5,000 Calculate the working capital.
7. A small business starts the month with Rs.5,000 in cash. Throughout the month, it expects to receive Rs.20,000 in cash from sales and Rs.10,000 from a loan. Its projected cash outflows include Rs.15,000 for operating expenses and Rs.5,000 for loan repayments. Calculate the projected ending cash balance for the month.
8. A company is considering investing in a new project that requires an initial investment of Rs. 50,000. The project is expected to generate cash inflows of Rs. 20,000 per year for the next 5 years. Calculate the net present value (NPV) of the project using a discount rate of 10%.
9. A company has total assets worth Rs.500,000 and total liabilities of Rs.300,000. Calculate the shareholders' equity.
10. A Company has the following financial information for the year:  
Revenue: Rs.500,000  
Cost of Goods Sold (COGS): Rs.250,000  
Operating Expenses: Rs.100,000  
Interest Expense: Rs.10,000  
Taxes: Rs.30,000 Calculate the company's net income.

**SECTION – B**

**Answer any FIVE questions:**

**(5 x 4 = 20)**

11. Outline the essential tasks that a financial manager performs to secure funding for various projects.
12. List and describe the various methods used in capital budgeting.

13. Project K requires an investment of Rs.20,00,000 and yields profit after tax and depreciation as follows:

Year	1	2	3	4	5
Profit after tax and depreciation Rs.	1,00,000	1,50,000	2,50,000	2,60,000	1,60,000

At the end of fifth year, the plant can be sold for Rs.1,60,000. You are required to calculate ARR.

14. Budgeted cash balance May 1, 1986 Rs 60,000.

Sales:

March Rs 5,00,000

April Rs 3,00,000

May Rs 8,00,000

Half collected in the month of sales, 40% in the next month and 10% in the third month.

Calculate the total sales for May.

15. Project M has an initial investment of Rs.3,00,000. Its cash flows for 5 years are Rs.90,000, Rs.1,08,000, Rs.90,000, Rs.79,200 and Rs.72,000. Determine the discounted Payback period assuming a discount rate of 10% per annum.
16. A has entered into an agreement that will fetch her Rs.60,000 per annum for the next 4 years. A wants to know the present value of the future cash inflows at 20% discount rate.
17. Harry has just bought a scratch lottery ticket and won Rs.10,000. He wants to finance the future study of his newly born daughter and invests this money in a fund with a maturity of 18 years offering a promising yearly return of 6%. What is the amount available on the 18th birthday of his daughter? Calculate future value.

### SECTION – C

Answer any TWO questions:

(2 x 15 = 30)

18. Compute the Net Present Value (NPV) for the specified projects, considering a cost of Rs.200 and an expected cost of capital of 12%. Afterwards, provide a commentary on the outcomes.

Year	1	2	3	4	5
A Cash flows	35	80	90	75	20
B Cash flows	18	10	10	40	35

19. Analyze the provided table containing information on two projects, calculate the Accounting Rate of Return (ARR) for each project, and provide a comprehensive interpretation and justification of the ARR values.

Particulars	X	Y
Cost	Rs.40000	Rs.60000
Estimated Life	5yrs	5yrs
Scrap value	Rs.3000	Rs.3000

Estimated Income After tax		
Year	X Rs.	Y Rs.
1	3000	10000
2	4000	8000
3	7000	2000
4	6000	6000
5	8000	5000

20. XYZ company wishes to arrange OD facilities with its bankers during the period April – June, when it will be manufacturing mostly for stock.

- a. Prepare cash budget for the above period from the following data.

Month	Sales (Rs)	Purchases (Rs)	Wages (Rs)
Feb	180,000	1,24,800	12,000
Mar	1,92,000	1,44,000	14,000
Apr	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

- b. 50% of credit sales is realised in the month following the sale and other 50% in the second month following. Creditors are paid in the month following the month of purchase.
- c. Wages are paid at the end of the respective month.
- d. Cash at bank -1<sup>st</sup> April-Rs 25,000.
21. Examine the concepts of the working capital cycle and cash conversion cycle, and offer an illustrative example to enhance your analysis.

### SECTION-D

#### Application/Practical Based

(30 Marks)

22. Conduct a critical analysis of Computer Tech Ltd.'s with regard to dividend payments considering the complex financial dynamics, and provide well-founded recommendations for the company. Computer Tech Ltd. is India's leading Information Technology outsourcing service provider. The company provides business consultancy and outsourcing services to its clients. Over the past five years, the company has been paying its shareholders dividends at a high rate. However, this year, although the company's earnings are high, its liquidity is not so good. Moreover, the company plans to undertake new ventures to expand its business.

In the context of the above case, assume the role of a financial manager and provide your answers:

- i) Give three reasons why you think Computer Tech Ltd. has been paying dividends at a high rate to its shareholders over the past five years. (15 Marks)
- ii) Comment upon the likely dividend policy of the company this year by stating any two reasons in support of your answer. (15 Marks)

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