Exam.Code:00312
Sub. Code: 2697

1059

M.Com (Master of Entrepreneurship and Family Business)
Second Semester
FB-203: Business Management – III (Finance)

Time allowed: 3 Hours Max. Marks: 80

***NOTE**: Attempt five questions in all, selecting atleast two questions from each Unit.*

x-x-x

UNIT – I

I. What is a Computerized Accounting System? Discuss its types and significance in the changing business environment with the help of few examples (16)

II. Explain the concept of Brand Valuation. Discuss various approached of brand valuation. Which approach, do you think is the best approach in this regard. (16)

III. Answer the following questions:-

a) Define the concept of present-value and the future value in financial management.

b) Suppose 1 want to be able to withdraw Rs.5,000 at the end of five years and withdraw Rs. 6,000 at the end of six years, leaving a zero balance in the account after the last withdrawal. If I can earn 5% on my balances, how much must I deposit today to satisfy my withdrawals needs?

c) How much would I have to deposit in an account today that pays 12% interest, compounded quarterly, so that I have a balance of Rs. 20,000 in the account at the end of 10 years? (5,6,5)

IV. Define risk and return. Critically discuss Capital Asset Pricing Model (CAPM) with the help of an example. (16)

V. What is sensitivity analysis? How is it different from Scenario Analysis? Discuss the advantages of Sensitivity Analysis. (16)

UNIT – II

VI. What is investment analysis? What are common errors in investment analysis? Discuss in detail. (16)

VII. Answer the following:-

a) A company has 5,000 shares of Rs 100 each. It goes for capital restructuring and issues debentures for Rs 2,00,000 to buy back the shares. If the interest rate on debentures is 10% with no tax, find: (i) the leverage ratio after restructuring, and (ii) EPS with an EBIT of Rs 1,20,000.

P.T.O.

b) Alpha company is contemplating conversion of 500 14% convertible bonds of Rs. 1,000 each. Market price of bond is Rs. 1,080. Bond indenture provides that one bond will be exchanged for 10 share. Price earning ratio before redemption is 20:1 and anticipated price earning ratio after redemption is 25:1.Number of shares outstanding prior to redemption are 10,000. EBIT amounts to Rs 2,00,000. The company is in the 35% tax bracket. Should the company convert bonds into share? Give reasons (6+10)

VIII. a) What are the determinants of dividend policy? Discuss in detail

b) What do you mean by share buyback and retention of profits? Discuss. (8+8)

IX. Texas Manufacturing Company Ltd. is to start production on 1st January, 1995. The prime cost of a unit is expected to_beRs.40 out of which Rs.16 is for materials and Rs.24 for labour. In addition, variable expenses per unit are expected to be Rs.8 and fixed expenses per month Rs.30,000. Payment for materials is-to be made in the month following the purchases. One-third of sales will be for cash and the rest on credit for settlement in the following month. Expenses are payable in the month in which they are incurred. The selling price is fixed at Rs.80 per unit. The number of units manufactured and sold are expected to be as under

January	900
February	1200
March	1800
April	2100
May	2100
June	2400

Draw up a statement showing requirements of working capital from month to month, ignoring the question of stocks (16)

X. What is venture capital? Discuss the funding process under venture capital financing.(16)

x-x-x