

Unique Paper Code : 22411502

Name of the Paper : Fundamentals of Financial Management

Name of the Course : B.Com. (H) - CBCS

Semester : V

Duration : 3 hours

Maximum Marks : 75 Marks

Instructions for Candidates

Attempt *any four* questions. All questions carry equal marks.

Q1. “Financial Management is concerned with solution of three major decisions- the investment decision, the financing decision and the dividend decision”. Explain the statement highlighting the inter-relationship amongst these decisions.

Also advise Mr. X that if he borrows from Bank an amount of Rs. 12,00,000 @ 10% p.a. on 1-4-2020. The repayment is to be made in 6 equal annual installment starting from three years from now. What would be the amount of each installment?

Q2. XYZ Ltd. Is considering the proposal of buying one of the two machines to manufactures a new product. Each of these machines requires an investment of Rs. 50,000 and is expected to provide benefits over a period of 4 years. After the expiry of the useful life of the machine, the seller of both the machines have guaranteed to buy back the machine at Rs. 5,000. The management of the company uses CE Approach to evaluate risky investment. The company’s risk adjusted discount rate is 16% and the risk free rate is 10%. The expected values of the net cash flow (CFAT) with their respective CE are:

Year	Proposal A		Proposal B	
	CFAT	CE	CFAT	CE
1	30,000	0.8	18,000	0.9
2	30,000	0.7	36,000	0.8
3	30,000	0.6	24,000	0.7
4	30,000	0.5	32,000	0.4

Which machine, if either, should be purchased by the company? Is Certainty Equivalent Approach theoretically superior to the Risk Adjusted Discount Rate?

Q3. Give a critical appraisal of Modigliani and Miller Approach to the theory of capital structure.

The two companies U and L belong to the same risk class. They have everything in common except that firm L has 12% debentures of Rs. 10,00,000. The following information about the two firms is available to you:

Particulars	Firm U	Firm L
Net operating income(EBIT)	Rs. 4,00,000	Rs. 4,00,000
12% Debentures	-	Rs. 10,00,000
Equity capitalization rate(k_e)	0.15	0.16

Calculate the value of two firms and explain how under Modigliani – Miller approach an investor who owns 10% equity shares of the overvalued firm will be better off switching his holdings to the other firm. Also explain when arbitrage process will come to an end.

Q4. How is the cost of capital relevant in capital budgeting decisions? Also discuss the factors affecting cost of capital.

A company has the following capital structure :

Particulars	Book Value	Market Value
Equity Capital(30,000 shares of Rs. 10 each)	3,00,000	4,80,000
Preference capital (600 shares of Rs. 100 each carrying 12% dividend)	60,000	70,000
Reserves and Surplus	1,50,000	-
Debentures (2000 debentures of Rs. 100 each carrying 12% interest)	2,00,000	1,90,000
	7,10,000	7,40,000

The expected dividend per share is Rs. 1.50 and the dividend per share is expected to grow at a rate of 8 per cent forever. Preference shares are redeemable after 5 years at par whereas debentures are redeemable after 6 years at par. The tax rate for the company is 50 per cent.

You are required to compute the weighted average cost of capital (WACC) using market value weights.

Q5. Radiant Corporation, a market leader dealing in refrigeration products, has been paying dividend consistently over last several years. The growth rate of dividend on an average has been 12%. The capitalisation rate of Radiant Corporation is 16%.

Consistent with its developmental philosophy Radiant Corporation acquired a technology for a new refrigerant that called for huge investment but offered a market potential of growth of 14% in earnings and dividends as well.

The management decided to skip the dividend for next three years. However, as a measure of good corporate governance and to reassure the investors it announced that the dividend would re-commence in 4 years from now at Rs. 12 only and would offer better growth of 14% instead of 12%. What do you think would be the impact on the price of shares of Radiant Corporation in the market of the announcement of new project and resultant postponement of dividend, assuming Gordon Assumptions?

In this context, “Do you agree that dividend policy can be used to maximize the wealth position of equity holders?” Explain with reference to the determinant of dividend policy.

Q6. “The efficiency of cash management depends on how efficiently the firm manages its inventory and Receivables” Comment.

Transient Ltd is currently operating at the 65% capacity utilization level with its sales pegged at Rs. 950 lakhs. As per its current credit policy the firm is offering a credit period of 20 days. The average collection period for Transient Ltd is 30 days. In view of increased competition that has started to erode its bottom-line recently, the firm's management has been contemplating relaxing its credit terms. As per management's projections such a liberalization of firm's credit policy is likely to boost its sales by 30%. However, since the proposed change is likely to increase the average credit period for the firm by 30 days, one section of company management is opposed to such a change proposed in the credit policy and is advocating a status quo. The variable costs for the firm are 75% of the sales and the fixed cost is Rs.100 lakhs. Are you in favor of such a change proposed in the firm's credit policy? Assume the opportunity cost of capital for Transient Ltd is 12%.

Unique Paper Code: **22411501**

Name of the Paper: **Principles of Marketing (Core)**

Name of the Course: **B. Com (Hons.) CBCS**

Semester: **V**

Duration: **3 hours**

Maximum Marks: **75 Marks**

Instructions for Candidates

Note: Answers may be written *either* in English or in Hindi, but the same medium should be used throughout the paper.

Attempt **any fours** questions.

All questions carry equal marks.

Q 1. An automobile firm believes in relationship marketing, designs its marketing mix in an integrated manner, works together with all departments and looks at marketing in terms of performance. Which philosophy of marketing is practiced by the firm? Discuss the marketing philosophies that have evolved over the years.

Q 2. Market orientation requires that companies, instead of competing everywhere, should focus on meeting needs of specific customers as there is an old saying, "One cannot be everything to everyone, but can be everything to a selected few." In the light of this statement, explain the concept of market segmentation and suggest suitable ways of segmenting the market for cosmetics and mobile phones.

Q 3. 'The success or failure of a business depends upon the product's pricing policy.' Explain this statement in the light of factors that are to be considered while formulating an effective pricing policy for a firm.

Q 4. If you happen to be a promotion manager of a leading chain of fine dining restaurant which is planning to open a new restaurant in Delhi-NCR, what promotion-mix would you suggest?

Q 5. A company is planning to manufacture electric vehicles for sale in the Indian market which requires a well-developed strategy to be successful in the long run. Prepare a sustainable strategy for the development of this new product in the present scenario.

Q 6. An airline is planning to launch new flights to multiple destinations in India and abroad post pandemic, suggest an appropriate services marketing mix strategy to their marketing team that will help the firm to achieve company's objectives.

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Unique Paper Code : 22417510

Name of the Paper : Advertising

Name of the Course : B.Com Hons.

Semester : V

Paper No : 5.4 DSE Group

Duration: 3 hours

Maximum Marks: 75

Attempt any four questions. All questions carry equal marks.

Q1 “Senders must be aware of the receivers or audience they want to reach and the responses they want”. In the light of the above statement explain the various elements of the communication process? Also explain the various hurdles to communication.

Q2 “In our factories, we produce cosmetics, but in our drug stores we sell hope.”- Charles Reuson from Revlon. In the light of the above statement explain how advertising is a powerful tool of promotion?

Q3 What are the essentials for an effective advertising copy for print media? Also explain how does effective visual, slogan, logo, colour and proper illustration help in capturing the attention of the target audience?

Q4 “Radio as a broadcast media is reinventing itself as Internet Radio and FM radio”. By giving suitable examples mention the merits and demerits of radio advertising?

Q5 What are advertising agencies? Discuss the various types of advertising agencies? How can agency and client relationship remain cordial? Also mention any two large advertising agencies in India?

Q6 “Legal rules, code of conduct and ethics are three pillars of healthy advertising environment”. Comment mentioning the laws available to protect Indian consumers against misleading advertisements.

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