

KAMARAJ COLLEGE (Autonomous)

Accredited with A+ Grade by NAAC

(Affiliated to Manonmaniam Sundaranar University, Tirunelveli)

(6 Pages)

Reg. No:.....

Question Code: 26E00702

Course Code: 24PMC011/25PMC011

PG Degree - End Semester Examinations, April 2026

First Semester

M.COM

Business Finance

(For those who joined in July 2024 and June 2025 onwards)

Time : 3Hours

Maximum : 75 Marks

PART - A (10 × 1 = 10 Marks)

Answer ALL Questions

Choose the correct answer :

- While evaluating capital investment proposals, the time value of money is considered in case of _____ method.
(a) Payback period (b) Discounted cash flow
(c) Internal rate of return (d) Accounting rate of return
- Long term finance is required for _____.
(a) Current assets (b) Fixed assets
(c) Intangible assets (d) None of these
- Interest rate risk is a
(a) Systematic risk (b) Unsystematic risk
(c) Internal Risk (d) None of the above
- The statistical tool used to measure a company's risk is
(a) Mean (b) Mode
(c) Variable (d) Covariance
- A contract between a lessor and a lessee is known as a _____.
(a) Rent (b) Lease
(c) Loan (d) Purchase
- When one party grants the right to use the asset to the other party, in return for a periodic payment, it is known as _____.
(a) Lease financing (b) Factoring
(c) Public deposits (d) Debts

7. Under the factoring arrangement, the factor ____.
- (a) Produces and distributes the goods or services
 - (b) Makes the payment on behalf of the client
 - (c) Collects the client's debt or account receivables
 - (d) Transfer the goods from one place to another
8. ABC Analysis is used in _____
- (a) Inventory Management
 - (b) Receivables Management
 - (c) Corporate Governance
 - (d) Accounting Policies
9. _____ is a long term planning for financing proposed capital outlay.
- (a) Capital Budgeting
 - (b) Budgeting
 - (c) Cash Budget
 - (d) Sales Budget
10. Capital budgeting techniques which considers the time value of money is based on
- (a) Cash Flows of the organization
 - (b) Accounting Profit of the organization
 - (c) Interest Rate on Borrowings
 - (d) Last Dividend Paid

PART - B (5 X 5 = 25 Marks)

Answer ALL Questions choosing either (a) or (b).

Answer should not exceed 250 words.

11. (a) Raj makes an initial deposit of Rs. 2,00,000 in Lakshmi Bank Ltd. Interest is compounded at 10% p.a. for 6 years. Compute the amount of maturity.

(OR)

- (b) Calculate the doubling period using the rule of 69, if rate of interest is i) 6% ii) 9% and iii) 12%.

12. (a) Categorize the different sources of risk.

(OR)

- (b) Examine the measures of risk.

13. (a) Categorize the recent forms of financial lease.

(OR)

- (b) As a Lessor, how will you analyze the conditions of offering an asset under lease agreement.

14. (a) The annual demand for a product is 6,400 units. The unit cost is ₹6 and inventory carrying cost per unit per annum is 25% of the average inventory cost. If the cost of procurement is ₹ 75, determine:
- Economic Order Quantity
 - Number of orders per annum
 - Time between two consecutive orders.

(OR)

- (b) The following forecasts are provided in respect of Ellis Ltd. for the year 2019

Year	Rs.
Sales	13,50,000
Purchases	9,00,000
Cost of goods sold	9,15,000
Average Debtors	1,50,000
Average Creditors	80,000
Average Stock	1,52,000

Find out the cash operating cycle given that all sales and purchases are made on credit.

15. (a) Calculate discounted pay-back period from the information given below:

Cost of project- ₹6,00,000

Life of the project- 5 years

Annual cash flow- ₹2,00,000

Cut off rate is 10%

(OR)

- (b) A project requires investment of Rs. 1,00,000 initially. It is estimated to provide annual net cash inflows of Rs. 40,000 for a period of 8 years.

The company's cost of capital is 10%.

Ascertain the net present value of the project. Reference to annuity table shows present value of Rs. 1 for 8 years at 10% p.a. interest is Rs. 5.335.

PART - C (5 X 8 = 40 Marks)

Answer ALL Questions choosing either (a) or (b).

Answer should not exceed 600 words.

16. (a) Mr. Ragav invests Rs. 25,000 in a bank at 10% for 5 years. Calculate the maturity value if interest is compounded annually. Will he get more if interest is compounded half yearly?

(OR)

- (b) Alex industries Ltd. Offers 14% interest on fixed deposits. What is the effective rate of interest if compounding is done?
i) half yearly ii) quarterly and iii) monthly
17. (a) Discover the various measurements of return.

(OR)

- (b) Categorize the methods of risk management.
18. (a) Determine the different types of Lease agreements.

(OR)

- (b) Interpret the advantages and disadvantages of leasing
19. (a) Walse & Co. Buys its annual requirement of 18,000 units in 6 instalments. Each unit costs Rs. 4 and the ordering cost is Rs. 50. The inventory carrying cost is estimated at 20% of unit value. Find the total annual cost of the existing inventory policy. How much money can be saved by EOQ?

(OR)

(b) From the following information relates to Gordon Ltd., calculate a) the firm's cash cycle b) cash turnover assuming 360 days in a year c) minimum cash balance to be maintained to meet payments when they become due and d) savings by reducing the average age of inventory to 45 days.

- i) Average age of accounts payables: 45 days
- ii) Average age of accounts receivables: 75 days
- iii) Average age of inventory: 90 days
- iv) Total annual operating outlay: Rs. 15,00,000

Rate of return on investment: 12%

20. (a) A company is considering investment of Rs.10,00,000 in a project. The following are the income forecasts, after depreciation and tax:

1 st year loss	1,00,000
2 nd year profit	3,00,000
3 rd year profit	4,00,000
4 th year profit	2,00,000
5 th year profit	2,00,000

Calculate the accounting rate of return

- i. On original investment method
- ii. On average investment method

(OR)

(b) X Ltd. has a machine having an additional life of 5 years, which cost Rs.1,00,000 and which has a book value of Rs.40,000. A new machine costing Rs.2,00,000 is available. Though its capacity is the same as that of the old machine, it will mean a saving in variable cost to the extent of Rs.70,000 p.a. The life of the machine will be 5 years at the end of which it will have

a scrap value of Rs. 20,000. The rate of income tax is 60% and X Ltd. does not make an investment, if it yields less than 12%. The old machine, if sold, will fetch Rs.1,00,000.

Advise X Ltd., whether the old machine should be replaced or not.