



**বিদ্যাসাগর বিশ্ববিদ্যালয়**  
**VIDYASAGAR UNIVERSITY**  
**Question Paper**

**B.Com. Honours Examinations 2020**  
(Under CBCS Pattern)  
**Semester - V**  
**Subject: ACCOUNTING AND FINANCE**  
**Paper : C 12-T & C 12-P**  
**Fundamentals of Financial Management**

**Full Marks : 60 (Theory - 40 + Practical - 20)**  
**Time : 3 Hours**

*Candidates are required to give their answer in their own words as far as practicable.*  
*The figures in the margin indicate full marks.*

**[Theory]**

1. Answer any **two** of the followings : 20 × 2 = 40

- (a) Define the following terms—Financial management, capital structure, trading on equity, cost of capital and working capital.
- (b) Describe the different sources of finance for an organisation.
- (c) (i) A firm has sales of Rs. 550000, variable cost of Rs. 385000, fixed cost of Rs. 110000 and debt of Rs. 275000 at 10% rate of interest. Calculate the combined leverage. If the firm wants to double its EBIT, how much percentage of sales would be needed to rise? 3+2
- (ii) Write a note on 'wealth maximization' objective of financial management. 6
- (iii) Blue is offered to received of Rs. 10000 one year from now or Rs. 14000 five years from now. Which one he should accept and why, if discount rate is 10%. [Present values of Rs. 1 at 10% are 0.909 and 0.621 for 1<sup>st</sup> and 5<sup>th</sup> year respectively.]

- (iv) The cost of plant is Rs. 60000. The expected life of the plant is 3 years. It is expected to generate EBDIT (Earnings before depreciation, interest and taxes) Rs. 26000, Rs. 30000 and Rs. 34000 respectively. Compute accounting rate of return assuming 50% tax and straight line method of depreciation. 5
- (d). (i) Explain clearly Modigliani-Miller's hypothesis of 'irrelevance of dividends'. Under what assumptions do they hold? 6+4
- (ii) The capital structure and other information of a company are given below :

Source	Amount in Lakh (Rs.)	After Tax-cost of Capital (%)
Equity (Rs. 100 each)	100	14
Reserve and Surplus	50	?
Debenture	200	?

The market value of equity share is Rs. 300 per share. The company uses market value weights for computing average cost of capital. The corporate tax rate is 30% while the average cost of capital is 10%. What is cost of reserve and surplus, and cost of debt (before tax)? 10

**Paper - C-12P**  
**(Fundamentals of Financial Management)**  
**(Practical)**

Answer any **one** of the following :

1 × 20 = 20

1. Demonstrate the procedure on how Net Present Value is calculated in an excel sheet.
2. Demonstrate the procedure on how Internal Rate of Return is calculated in an excel sheet.
3. Write the steps in calculation of present value, Future value of different cash flows of a project. Assume the project life is 5 years and discount rate is 10% p.a.