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**COER University****END SEMESTER EXAMINATION, EVEN SEM 2022-23**

Time : 3 hours  
 Program Name : B.Com (CFA)  
 Course Name : Basic Business Finance

Total Marks : 100  
 Semester : II  
 Course Code : BCFA 201/SOB 154

Note: All questions are compulsory. No student is allowed to leave the examination hall before the completion of the time.

Q. No 1	Attempt Any Four Parts. Each Question Carries 5 Marks.	CO	BL
(a)	How do you calculate expected return in CAPM?	CO 1	2
(b)	Explain the concept time value of money with formula.	CO 1	2
(c)	Explain the types of risk faced by investors.	CO 1	2
(d)	Explain Objectives of business finance.	CO 1	2
(e)	Explain finance helps in Maximization of profit , maximization of wealth.	CO 1	2

Q. No 2	Attempt Any Four Parts. Each Question Carries 5 Marks.	CO	BL
(a)	An investment of Rs.200,000 is expected to generate the following cash inflows in six years: Year 1: Rs.90,000 Year 2: Rs.60,000 Year 3: Rs.65,000 Year 4: Rs.40,000 Year 5: Rs.20,000 Year 6: Rs.25,000 Compute payback period of the investment. Should the investment be made if management wants to recover the initial investment in 3 years or less	CO 2	2
(b)	Describe Payback period even formula and uneven formula.	CO 2	2
(c)	What are the capital budgeting techniques in brief?	CO 2	2
(d)	What are the five stages of a capital budgeting process?	CO 2	2
(e)	How Can You Apply Capital Budgeting in Your Business?	CO 2	2

Q. No 3	Attempt Any Four Parts. Each Question Carries 5 Marks.	CO	BL
(a)	What is cost of capital and why is it important for business?	CO 3	4
(b)	What do you mean by marginal cost of capital?	CO 3	4
(c)	Examine the significance of cost of capital in financial decision-making.	CO 3	4
(d)	Infer the concept of financial leverage and its effect on the cost of capital.	CO 3	4
(e)	Analyze the advantages and limitations of preference shares as a source of financing.	CO 3	4

Q. No 4	Attempt Any Two Parts. Each Question Carries 10 Marks.	CO	BL
(a)	Expected EBIT of the firm is 2,00,000. The cost of equity (i.e., capitalization rate) is 10%. Find out the value of Firm and overall cost of capital if degree of leverage is: INR 200000 INR 500000 INR 700000 Debenture interest rate is 6%.	CO 4	4
(b)	Analyze the assumptions and implications of the MM hypothesis.	CO 4	4
(c)	Compute the net operating income approach to capital structure.	CO 4	4

Q. No 5	Attempt Any Two Parts. Each Question Carries 10 Marks.	CO	BL
(a)	Explain the factors that influence cash management decisions.	CO 5	2
(b)	Describe the operating cycle using an example.	CO 5	2
(c)	ABC Ltd. expects its cost of goods sold for 2000-2001 to be Rs. 600 lacs. The expected operating cycle is 90 days. It wants to keep a minimum cash balance of Rs. one lac. What is the expected working capital requirement? Assume a year consists of 360 days.	CO 5	2

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