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| **SESSION** | **MarCh 2023** |
| **PROGRAM** | **BACHELOR of business administration (BBA)** |
| **SEMESTER** | **III** |
| **course CODE & NAME** | **DBB2104 – Financial management** |
| **CREDITS** | **4** |
| **nUMBER OF ASSIGNMENTS & Marks** | **02**  **30 Marks each** |

**Assignment Set – 1**

**1. Explain the functions of a financial manager in any organization.**

**Ans 1.**

A finance manager is a person who is responsible for carrying out the functions of a finance department.

**The main functions of finance managers**

**Raising of Funds:**

This is a very important function of the finance manager. He has to plan for raising funds as required. There are two types of finances: one is debt and the other is equity. To raise the first type of fund, a finance manager has to communicate or mediate with the bank and/or financial institutions. To raise the second type of fund, a finance manager needs to deal with merchant bankers to mobilize the funds from the public by issuing shares or debentures and attracting the public to subscribe to its fixed deposits, etc. While procuring the funds, the manager has to decide how much funds (finance) are to be procured from various sources. He needs to consider

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**2. Calculate the present value of the following cash flows assuming a discount rate of 10% per annum.**

**Year Cash flows [₹]**

**1 10000**

**2 20000**

**3 30000**

**4 40000**

**5 50000**

**Ans 2.**

The present value (PV) of future cash flows can be calculated using the formula:

PV = CF / (1 + r)^n

where:

* PV is the present value
* CF is the cash flow in the future
* r is the discount rate
* n is the number of periods

So the present value

**3. Explain the significance of the concept of cost of capital. Discuss different component of cost of capital with example.**

**Ans 3.**

**Significance of cost of capital**

The concept of cost of capital is used frequently in taking financial decisions such as investment, financing, credit decisions etc. Let us understand the significance for each of them.

1. **Investment Decisions:** When a firm has to evaluate an investment opportunity it uses the cost of capital for discount the cash flows expected from the project over its life time. Even if it uses IRR (Internal rate of return) criteria for the project selection, the IRR is compared with the overall cost of capital to take the

**Assignment Set – 2**

**1. What are the sources of finance? Discuss the short term and long term sources of finance for the firm.**

**Ans 1.**

**Sources of finance**

Finance is the lifeblood of business. Firms require financial resources to carry out their activities and achieve their objectives, such as buying assets, producing goods, paying employees,

**2. The details regarding three companies are given below:**

**X Ltd Y Ltd Z Ltd.**

**r = 12% r = 8% r = 10%**

**Ke = 10 % Ke = 10 % Ke = 10 %**

**E = Rs. 100 E = Rs. 100 E = Rs. 100**

**Compute the value of an equity share of each of these companies applying Walter’s formula when the dividend pay-out ratio is (a) 0%, (b) 20%, (c) 40%,**

**Ans 2.**   
The Walter's Model is a mathematical model which calculates the value of a share based on dividend, retained earnings and the rate of return. The formula for Walter's model is:

P = (D + (r / Ke) \* (E - D)) / Ke

where:

* P is

**3. What is Working capital management? Discuss various factors that affect working capital requirement?**

**Ans 3.**

**Working capital management**

WC typically means the firm’s holding of current or short-term assets such as cash, receivables, inventory and marketable securities. These items are also referred to as circulating capital. Corporate executives devote considerable amount of attention to the management of WC