**SESSION AUGUST 2023**

**PROGRAM MASTER OF COMMERCE (M.COM)**

**SEMESTER I**

**COURSE CODE & NAME DCM 6103 -FINANCIAL MANAGEMENT**

**Assignment Set – 1st**

**Questions**

**1. Describe the factors that need to be taken into consideration while planning a company’s financial needs. Also, deliberate on the advantages and disadvantages of financial planning.**

**Ans: Factors to Consider While Planning a Company’s Financial Needs:**

**Business Goals and Strategy:** Align financial needs with the overall business goals and strategy. Consider the nature of the industry, growth plans, and market conditions.

**Sales Forecast:** Analyze sales projections to estimate cash inflows and plan for working capital

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**2. A). Suppose that a firm deposits Rs.5, 000 at the end of each year for four years at a 6 percent rate of interest. How much would this annuity accumulate at the end of the fourth year?**

**Ans:**To calculate the future value of an annuity, you can use the future value of an ordinary annuity formula.

**The formula is**

**B) Kanak Ltd. has a total Capital of ₹ 60 Lakh. Out of which ₹ 20 Lakh is Equity Capital and ₹ 40 lakh is debt. The rate of interest payable on debt is 12%. The Sales Revenue of Kanak Ltd is ₹ 100 lakh. Variable cost is 20% of Sales revenue and ₹ 30 lakh is the fixed cost of operation.**

**Required: Calculate Financial, Operating and Combined Leverages**

**Ans: To calculate financial, operating, and combined leverages, we'll use the following formulas:**

**3. Write a short note on (any two)**

1. **Profit Maximization Vs. Wealth maximization**
2. **Cost of different sources of Finance**

**Valuation of bonds**

**Ans: Profit Maximization:** Profit maximization is a traditional and straightforward approach where the primary objective of a firm is to maximize its short-term profits. In this approach, the focus is on generating the highest possible net income or profit during a specific period. The decision criterion is

**Assignment Set – 2nd**

**Questions**

**4. A. Explain various inventory management techniques in detail.**

**B. Describe the relevance model of Dividend policy in detail according toWalter and Gordon's Model**

**Ans: A. Inventory Management Techniques:** Inventory management involves overseeing a company's stocked goods and ensuring they are efficiently utilized. Various techniques are employed to optimize inventory levels and meet customer demand.

**Here are some key inventory**

**5. A limited company is considering investing in a project requiring a capital outlay of ₹2, 00,000. The forecast for annual income after depreciation but before tax is as follows:**

|  |  |
| --- | --- |
| **Year** | **Rs.** |
| **1** | **100000** |
| **2** | **100000** |
| **3** | **80000** |
| **4** | **80000** |
| **5** | **40000** |

**Depreciation may be taken as 20% of the original cost and taxation at 50% of net income.**

**You are required to evaluate the project according to each of the following methods:**

**a) Pay-back method**

**b) Average Rate of return on original investment method**

**c) Net present value index method at a 10% discount factor**

**d) Profitability index**

**Ans:Let's evaluate the project using each of the specified methods**:

**a) Payback Method:** The payback period is the time it takes for the initial investment to be recovered.

Cumulative Cash Inflow = 100, 000 + 100, 000 + 80, 000 + 80, 000 + 40, 000 = 400, 000

Cumulative

**6. Describe in detail the factors that need to be taken into consideration while estimating working capital requirements by an organization.**

**Ans:Here are the key factors to consider while estimating working capital requirements:**

**Nature of the Business:** The industry and nature of the business play a significant role. For example, manufacturing companies may have higher inventory levels, while service-oriented businesses may have lower