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| **SESSION** | **MARCH 2023** |
| **PROGRAM** | **MASTER of COMMERCE (MCOM)** |
| **SEMESTER** | **I** |
| **course CODE & NAME** | **DCM6103 – FINANCIAL MANAGEMENT** |
| **CREDITS** | **4** |
| **Number OF ASSIGNMENTS & Marks** | **02**  **30 Marks each** |

**Assignment Set – 1**

**1(a) Define financial management. Also, describe various functions of financial management.**

**Ans 1(a)**

Financial management is the art and science of managing money. Regulatory and economic environments have undergone drastic changes due to liberalisation and globalisation of changed the profile of Indian finance managers. Indian finance managers have transformed themselves from License Raj managers to well-informed, dynamic, proactive managers capable of taking decisions of complex nature.

Traditionally, financial management was considered as a branch of knowledge that focused

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**b) Compare profit maximization and shareholder’s wealth maximization objective.**

**Ans:**

Profit maximization and shareholder wealth maximization are two critical objectives in financial management. Both play pivotal roles in the business environment, but they significantly differ in their philosophy, implications, and overall focus.

Profit Maximization refers to a short-term objective of a business, aiming to achieve the

**2. The following information has been extracted from the balance sheet of Surya Ltd.:**

**₹ in Lacs**

**Equity Share Capital 900**

**12% Preference Share Capital 900**

**18% Debentures 1,200**

**3,000**

**Ans 2.**

Determine the weighted average cost of capital (WACC) of the company. It had been paying dividends at a consistent rate of 25% per annum. Equity shares, preference shares and debentures are being traded at par. Tax rate is 35%.

The Weighted Average Cost of Capital (WACC) is the average rate of return a company is

**3(a) Describe the process of financial planning.**

**Ans.**

Financial planning is a comprehensive process that helps individuals and businesses effectively manage their finances to achieve their goals and secure their future. Here's a step-by-step description of the process:

1. **Set Clear Objectives:** The first step in financial planning is identifying your financial

**(b) Determine the degree of operating, financial and combined leverage of a company from the following data:**

**Sales ₹25,00,000**

**Fixed Costs ₹7,50,000**

**Interest Charges ₹4,50,000**

**Variable expenses are 35% of sales.**

**Ans:**

**Degree of Operating Leverage (DOL)**

Formula: DOL = Q \* (P - V) / Q \* (P - V) - F

Where:

Q = Quantity of Output

P = Price per Unit

**Assignment Set – 2**

**1. Describe the assumptions and implications of ‘Net Income Approach’ and ‘Net Operating Income Approach’ of capital structure.**

**Ans:  
Net Income Approach**

The Net Income (NI) approach is a capital structure theory proposed by Durand which assumes that the capital structure of a firm significantly influences its market value. The primary assumptions of this approach are:

**Cost of Debt is Less than Cost of Equity:** The theory assumes that the cost of debt is less

**2. Describe concept and determinants of working capital in detail.**

**Ans 2.**

A large number of factors influence working capital needs of a firm. The basic objective of a firm’s working capital management is to ensure that the firm has adequate working capital for its operations, neither too much nor too little. Figure depicts factors that determine the working capital.

**3. You have received a project proposal with a life expectancy of 5 years:**

**Particulars Years Amount in ₹**

**Initial Investment 0 3,00,000**

**Cash Inflows 1 60,000**

**2 60,000**

**3 90,000**

**4 1,10,000**

**5 90,000**

**Compute:**

**(a) Net Present Value of project applying discount rate of 7%**

**(b) Payback Period**

**Ans:**(a) The Net Present Value (NPV) of a project is calculated by discounting each cash inflow at the given discount rate and then subtracting the initial investment.

Here's how we calculate the NPV for each year:

For Year 1:

₹60,000 / (1+0.07)^1 = ₹56,075.19