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| **SESSION** | **MARCH 2025** |
| **PROGRAM** | **BACHELOR OF COMMERCE (B.COM.)** |
| **SEMESTER** | **III** |
| **COURSE CODE & NAME** | **DCM2102 FINANCIAL MANAGEMENT** |
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**Assignment Set – 1**

**Q1. An investor deposits Rs 1000 in a bank account for 5 years at 8 per cent interest. Find out the amount which he will have in his account if interest is compounded**

**(a) annually**

**(b) semi-annually**

**(c) quarterly**

**(d) monthly 2.5+2.5+ 2.5+2.5**

**Ans 1.**

### Compound Interest Formula:

$$A=P\left(1+\frac{r}{n}\right)^{nt}$$

Where:

$A$ = Final amount (maturity value)

$P$ = Principal (initial deposit) = ₹1000

$r$ = Annual interest rate (decimal) = 8% = 0.08

$t$ = Time (in years) = 5

$n$ = Number of times interest is compounded per year (annually = 1, semi-annually = 2,

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**Q2. Calculate the cost of equity for X Ltd, which issued Rs 100 equity shares at a 10% premium. The expected dividend at year-end is 15%, growing annually at 8%. Also, find the cost of equity if dividends is constant. 5+5**

### Ans 2.

### Given:

* Face value of equity share = ₹100
* Issued at 10% premium ⇒ Issue price = ₹100 + ₹10 = ₹110
* Expected dividend = 15% of face value = ₹15
* Growth rate (g) = 8% per annum

### (a) When Dividend is Growing – Gordon Growth Model

$$Cost of Equity (Ke)=\frac{D\_{1}}{P}+g$$

Where:

**Q3. ABC Ltd is investing in a project with an initial investment of $250,000 that is expected to produce $60,000 annually for the next 6 years. The discount rate is 10%. Evaluate the viability of this project by using the following methods:**

**1. Net Present value (NPV) Method**

**2. Pay Back Period Method (Standard payback is 5 year) 5+5**

**Ans 3.**

### Given:

* Initial Investment = $250,000
* Annual Cash Inflows = $60,000
* Time = 6 years
* Discount Rate = 10%
* Standard Payback = 5 years

### 1. Net Present Value (NPV) Method

**Assignment Set – 2**

**Q4. Discuss various short-term and long-term sources of finance for firm. 10**

**Ans 4.**

Finance is the lifeblood of any business. Companies need funds for both day-to-day operations and long-term investments. These funds are broadly classified into short-term and long-term sources based on the duration and nature of financial requirements.

### 1. Short-Term Sources of Finance

Short-term finance is typically required for a period of **less than one year**. It is used to manage

**Q5. For ABC Ltd Company, which earns Rs 10 per share, capitalized at 10%, and has 20% return on investment:**

**a) Calculate the share price at a 20% dividend payout ratio using Walter’s model.**

**b) Determine if this is the optimal payout ratio per Walter’s theory. 5+5**

**Ans 5.**

### Given:

* Earnings per share (E) = ₹10
* Capitalization rate (Ke) = 10% = 0.10
* Return on investment (r) = 20% = 0.20
* Dividend payout ratio = 20% ⇒ Dividend per share (D) = 20% of ₹10 = ₹2

### (a) Share Price using Walter’s Model

### Walter’s Formula:

$$P=\frac{D+\frac{r}{Ke}\left(E-D\right)}{Ke}$$

Where:

* $P$ = Price of the share

**Q6. What are the objectives of inventory management? Discuss various Inventory Management Techniques. 5+5**

**Ans 6.**

Inventory management refers to the process of ordering, storing, and controlling a company’s inventory—whether it’s raw materials, work-in-progress, or finished goods. The main objectives are:

#### 1. Ensure Uninterrupted Production

Maintain sufficient inventory of raw materials and components to avoid halts in the production