24U391 (Pages: 2) Name : .....

Reg. No : .....

THIRD SEMESTER UG DEGREE EXAMINATION, NOVEMBER 2025

(FYUGP)

CC24UCOM3MN201 - FINANCIAL STRATEGY FOR START-UPS

(B.Com. - Minor Course)

(2024 Admission - Regular)

Time: 2.0 Hours Maximum: 70 Marks

Credit: 4

Part A (Short answer questions)

Answer ***all*** questions. Each question carries 3 marks.

1. What is Risk? [Level:2] [CO1]
2. What is Compounding? [Level:2] [CO1]
3. Mr. A is to receive Rs. 30,000 at the end of 5 years from now. If the interest rate is 10% p. a. Find out the present value of Rs. 30,000. [Level:3] [CO1]
4. What is Risk Adjusted Discount Rate? [Level:2] [CO4]
5. How do you calculate PI? [Level:2] [CO4]
6. What is NPV? How it is calculated? [Level:2] [CO4]
7. What is optimum level of Working capital in business? [Level:2] [CO2]
8. How do you compute the Present Value (PV) of a Single Cash Flow? [Level:2] [CO3]
9. Define mergers. [Level:2] [CO2]
10. Good Health Ltd. has a gearing ratio of 30%. The cost of equity is computed at 21% and the cost of debt 14%. The corporate tax rate is 40%. Calculate WACC of the company. [Level:3] [CO4]

(Ceiling: 24 Marks)

Part B (Paragraph questions/Problem)

Answer ***all*** questions. Each question carries 6 marks.

11. A company issues 10,000 equity shares of Rs. 100 each at a premium of 10%. The company has been paying 25% dividend to equity shareholders for the past five years and expects to maintain the same in the future also. Compute the cost of equity capital. Will it make any difference if the market price of equity share is Rs. 175? [Level:3] [CO1]

12. A company issues equity shares of Rs. 10 each for public subscription at a premium of 20%. The company pays at 5% as underwriting commission on issues price. Expected rate of dividend by equity shareholders is 25%.You are required to compute the cost of equity capital. Will your answer be different if it is calculated on the basis of present market value of equity share which is only Rs. 16? [Level:3] [CO2]

13. What are the different types of strategic partnerships? [Level:2] [CO2]

14. A company proposes to install machine involving a capital cost of Rs. 3,60,000. The life of the machine is 5 years and its salvage value at the end of the life is nil. The machine will produce the net operating income after depreciation is Rs. 68,000 per annum. [Level:3] [CO2]

The present value annuity factor for 5 years are as under

Discount rate	14	15	16	17	18
Cumulative factor	3.43	3.35	3.27	3.20	3.15

You are required to calculate IRR?

15. A Limited has two project options. The initial investment in both the projects is Rs. 10,00,000. [Level:3] [CO2]

Project A has even cash inflow of Rs. 100000 every year.

Project B has uneven cash inflows as follows:

Year 1 – Rs. 200000

Year 2 – Rs. 300000

Year 3 – Rs. 400000

Year 4 – Rs. 100000

Calculate the payback period?

16. X Ltd. has budgeted its sales to be Rs. 7,00,000 per annum. Its cost as a percentage are as follows. [Level:3] [CO3]

Raw materials	20%
Direct Wages	35%
Overheads	15%

Raw material are carried in stock for two weeks and finished goods are held in stock before sale for 3 weeks,

X Ltd takes four weeks credit from suppliers and eight week credit to its customers.

Factory processing will take 4 weeks.

If both overhead and production are incurred evenly throughout the year.

What is X Ltd. total working capital requirements?

17. The cost of a machine is Rs 1,55,000 and its expected life is 5 years. The scrap value of the machine at the end of 5 year will be Rs. 5,000. [Level:3] [CO2]

Year	1	2	3	4	5
Profit	25000	45000	40000	20000	10000

Calculate Accounting Rate of Return.

The expected profits from the machine are given below.

18. What is time value of money? Write short notes on compounding and discounting. [Level:2] [CO2]

(Ceiling: 36 Marks)

Part C (Essay questions)

Answer any ***one*** question. The question carries 10 marks.

19. There are two project A and B. Each involves an investment of Rs. 1,00,000. The expected cash inflows and the certainty co-efficient are as follows. [Level:3] [CO2]

	Project A		**Project B**	
Year	Cash inflows	Certainty coefficient	Cash inflows	Certainty coefficient
1	60,000	0.8	50,000	0.9
2	50,000	0.7	70,000	0.8
3	50,000	0.9	50,000	0.7

Risk free cut off rate is 10 %. State which project is better?

Calculation of cash flows with certainty Equivalent coefficient method?

20. Using operating cycle method, calculate working capital required by ABC Ltd. from the following information given below. [Level:3] [CO4]

Particulars	**Amount in Rs. / days**
Average period of credit allowed by suppliers	16 days
Average debtors outstanding	4,80,000
Raw material consumption	44,00,000
Total production cost (cost of industry)	1,00,00,000
Total cost of sales	1,05,00,000
Sales	1,60,00,000
Value of stock maintained	
Raw material	3,20,000
Work in progress	3,50,000
Finished goods	2,60,000

(1 × 10 = 10 Marks)

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