

PG Even Semester (CBCS) Exam., May—2017

COMMERCE

(2nd Semester)

Course No. : COM-201 (C)

(Financial Management)

Full Marks : 75

Pass Marks : 30

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*Answer **five** questions, taking **one**
from each Unit

UNIT—I

1. Discuss the scope of Financial Management.
Explain the role of a financial manager in a
modern enterprise. 7+8=15
2. “Financial management is nothing but
managerial decision-making on asset mix,
capital mix and profit allocation.” Explain. 15

UNIT—II

3. Under what circumstances do the NPV and
IRR methods differ? Explain with the help of
a numerical example. 15
4. “The equity capital is cost-free.” Do you
agree? Justify your view. 15

UNIT—III

5. Critically examine ‘net income approach’ and
‘net operating income approach’ to the
capital structure. 15
6. (a) Does financial leverage always increase
the earning per share (EPS)? Explain. 5
- (b) Consider the following information for
BK Ltd. :

	₹ (in lakhs)
EBIT	2,240
PBT	640
Fixed Cost	1,400

Calculate percentage change in EPS if
sales increased by 5% and 15%. 10

UNIT—IV

7. Critically evaluate the assumption of Modigliani-Miller theory of dividend. 15
8. Does dividend policy affect the value of the firm under Gordon's model? Explain the reasons in support of your answer. 15

UNIT—V

9. State the reasons for prolonged operating cycle. How can the length of operating cycle be reduced? 7+8=15
10. Write notes on any *two* of the following : 7½×2=15
- (a) ABC analysis
 - (b) Management of inventory
 - (c) Management of cash

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