

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

COMMERCE

(2nd Semester)

Course No. : COMCC-201

(Financial Management)

Full Marks : 70

Pass Marks : 28

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. What do you mean by Financial Management? Discuss the nature and scope of Financial Management. 4+10=14
2. "Maximization of profit is regarded as the proper objective of investment decision but it is not as exclusive as maximizing shareholders wealth." Comment. 14

UNIT—II

3. State the advantages of payback period method. Prove that payback reciprocal is a good approximation of Internal Rate of Return (IRR). 6+8=14
4. Under what circumstances do NPV and IRR methods differ? Discuss with numerical examples. 14

UNIT—III

5. Discuss the factors determining capital structure of a company. 14
6. Write short notes on the following : 7+7=14
 - (a) Pecking order theory
 - (b) Static trade-off theory

UNIT—IV

7. Explain, in detail, Walter's model of dividend policy with illustration. Also point out the criticisms of the model. 10+4=14
8. What is mutual fund? Enumerate the reasons for slow growth of mutual fund industry in India. 5+9=14

(3)

UNIT—V

9. State the principal motives for holding cash.
Also explain Baumol's model of cash
management. 6+8=14

10. A company sells annually 2600 units of a
'mixer' at ₹ 2,000 each. The details of cost
per unit are as follows :

| <i>Items</i> | ₹ |
|-----------------------------|-----|
| Raw and packaging materials | 800 |
| Direct wages | 400 |
| Overhead expenses | 400 |

Overhead expenses include ₹ 2.60 lakhs
on depreciation. Production is evenly
maintained over the year on a weekly basis.
All sales are on credit. Materials are
introduced at the beginning of the process.
The following additional information are also
available :

| | <i>Average period</i> [in week(s)] |
|--|---------------------------------------|
| Raw and packaging materials stock | 4 |
| Work-in-progress (material 100%, labour and overhead 50%) | 1 |
| Finished goods | 1 |
| Credit allowed to debtors | 6 |
| Credit allowed by suppliers | 4 |

Cash balance to be maintained ₹ 60,000.

Calculate the net working capital
requirement of the company. 14

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