

PG Even Semester (CBCS) Exam., May—2018

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, selecting **one** from each Unit

UNIT—I

1. Explain the nature and scope of Financial Management. 14
2. Define cost of capital. Discuss its significance. How is the cost of capital of various sources of fund computed? 4+10=14

UNIT—II

3. Delineate net present value (NPV) method of capital budgeting. How is NPV method different from internal rate of return (IRR) method? Explain. 5+9=14

8J/1521

(Turn Over)

4. A firm has two investment proposals. The inflows and outflows of the firm are as follows :

	I (₹)	II (₹)
Initial Investment	1,00,000	2,00,000
Inflows :		
1st year	25,000	40,000
2nd year	30,000	40,000
3rd year	40,000	40,000
4th year	20,000	40,000
5th year	20,000	40,000

Calculate—

- (a) pay-back period;
- (b) average rate of return;
- (c) net present value;
- (d) profitability Index of two proposals and rank them.

Present value factor is as follows :

Year	:	1st year	2nd year	3rd year	4th year	5th year
Discount factor @ 10%	:	·909	·826	·751	·683	·621

UNIT—III

5. What is financial leverage? Do you think that value of levered firm (V_L) is higher than that of unlevered firm (V_U)? Cite imaginary example. 4+10=14

8J/1521

(Continued)

(3)

6. "Capital structure is matter for valuation of the firm." Explain in the light of MM hypothesis of capital structure decision. 14

UNIT—IV

7. Explain Walter's dividend model. How far this model is relevant for determining the amount of dividend to be distributed among the shareholders? 10+4=14
8. What is meant by mutual fund? Explain the nature and types of mutual fund in India. 5+9=14

UNIT—V

9. Define working capital. Explain the factors that normally influence the working capital requirements of a business firm. 3+11=14
10. A proforma of cost sheet of a company provides the following information :

	<i>Amount</i> (₹)
Elements of cost :	
Raw materials	80
Direct labour	30
Overheads	60
Total cost	<u>170</u>
Profit	30
Selling price	<u>200</u>

8J/1521

(Turn Over)

(4)

The following further particulars are provided :

Raw materials are in stocks for 4 weeks
Materials are in process for 2 weeks
Finished goods are in stock for 4 weeks
Credit allowed by suppliers is 4 weeks
Credit allowed to customers is 8 weeks
Lag-in payment of wages is 1½ weeks
Lag-in payment of overheads is 4 weeks
One-fourth of the output is sold in cash
Cash in hand and Bank is expected ₹ 25,000

You are required to prepare a statement showing working capital requirements. Output level is 104000 units. Production is assumed to be carried out events throughout the year. 14

★ ★ ★

8J—220/1521

2018/EVEN/03/11/COM-201/468