Roll No. ☐☐☐☐☐☐☐☐☐☐☐☐ **Total No. of Pages : 02**

Total No. of Questions : 09

B.Com. (Honours) (Sem.–5)

FINANCIAL MANAGEMENT

Subject Code : BCOM-501-18

M.Code : 78172

Date of Examination : 12-12-2022

Time : 3 Hrs. **Max. Marks : 60**

INSTRUCTIONS TO CANDIDATES :

1. **SECTION-A is COMPULSORY consisting of TEN questions carrying TWO marks each.**
2. **SECTIONS-B consists of FOUR Sub-sections : Units-I, II, III & IV.**
3. **Each Sub-section contains TWO questions each, carrying TEN marks each.**
4. **Student has to attempt any ONE question from each Sub-section.**

SECTION-A

1. Write briefly :

a) What is the need of financial manager?

b) What are the limitations of agency cost?

c) How equity capital differ from preference capital?

d) Discuss in detail Nl approach.

e) Define profitability index method.

f) What do you mean by profit maximization?

g) Define preference capital.

h) Define financing decision.

i) Define Internal rate of return method.

j) How capital structures differ from financial structure?

SECTION- B

UNIT-I

2. Discuss in detail objective, function and scope of financial management. What have been the key developments and reforms of the Indian financial sector since 1990?

3. a) What do you mean by the equity shares and preference share? Explain the feature of equity shares and preference share

   b) Mehta Ltd's WACC is 11% and its tax rate is 35%. Mehta's pre-tax cost of debt is 10% and its debt-equity ratio is 0.6:1. The risk free rate is 8 %, market risk premium is 7%. What is the beta of Mehta's equity?

UNIT II

4. What do you mean by capital structure? Discuss in detail theories of capital structure.

5. What are the pros and cons of equity shares from the company's and investor, point of views? What is common between equity shares and preference share in India?

UNIT-III

6. There are two projects A and B. A has a service life of one years. The initial cash outlay for both the projects assumed to be Rs. 20,000 each. The cash proceed from project A (at the end of first year) amounts to Rs. 24, 000. The cash generated by project B at the end of fifth year is likely to be Rs. 40, 200. Assume that the required rate of return is 10%. Compute and compare NPV and IRR of the two projects.

7. a) The earnings per share of a company are Rs.10. It has an internal rate of return of 15 percent and the capitalization rate of its risk class is 12.5 percent. If Walter's model is used : (i) What should be the optimum payout ratio of the firm? (ii) What should be the price of the share at this payout? (iii) How shall price of the share be affected if a different payout were employed?

   b) What is Modigliani Miller's Irrelevance hypothesis? Critically evaluate its assumption?

UNIT-IV

8. Define working capital. Discuss in detail objectives of working capital. Discuss in detail operating cycle approach to working capital and cash management.

9. Why is credit policy management important? Explain the objectives of credit policy. Explain the steps involved in analysis of credit policy with the examples. Is the credit policy that maximizes expected operating profits an optimum credit policy? Explain.

NOTE : Disclosure of Identity by writing Mobile No. or Marking of passing request on any paper of Answer Sheet will lead to UMC against the Student.