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Total No. of Pages : 02

Total No. of Questions : 09

B.Voc. (Tourism and Hospitality Management) (Sem.-5)

**FINANCIAL MANAGEMENT**

Subject Code : BVHCM509-19

M.Code : 91333

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. SECTION-B contains FIVE questions carrying FIVE marks each and students have to attempt any FOUR questions.
3. SECTION-C contains THREE questions carrying TEN marks each and students have to attempt any TWO questions.

**SECTION-A**

**1. Write briefly :**

- a) How is Weighted Average Cost of Capital (WACC) calculated?
- b) Define Leverage.
- c) Explain the two fundamental objectives of Financial Management.
- d) Explain the concept of 'working capital' in Finance. How is it determined for any business?
- e) Discuss the various sources of capital for a company.
- f) What are the features of optimum credit policy?
- g) Critically analyze the four broad areas of strategic financing decision.
- h) Distinguish between a deposit float and a bank float.
- i) Differentiate between 'financial structure' and 'capital structure'.
- j) A firm has sales of Rs. 10,00,000, variable cost Rs. 7,00,000 and fixed cost Rs. 2,00,000 and debt of Rs. 5,00,000 at 10% rate of interest. What are the operating and financial leverages?

## SECTION-B

2. What are the two types of risks involved in the capital structure decision of a firm? Also, explain the risk-return tradeoff.
3. There is a strong view prevalent among financial experts that the irrelevant hypothesis underlying the MM theory of dividend distribution is out-dated and unsuited to present conditions. Do you agree with this view? Discuss.
4. Discuss the various aspects or dimensions of receivables management.
5. Write a detailed note on the 'agency problem'. Also explain how can it be dealt with.
6. What do you understand by the term 'leverage'? What are the different types of leverages? How are they computed?

## SECTION-C

7. Examine critically the different approaches for computing the cost of equity. Discuss the merits and demerits of each approach in detail.
8. Write detailed notes on the following :
  - a) Dividend Pay-Out Ratio
  - b) Retention Ratio
  - c) Stock Split vs Reverse Split.
9.
  - a) A company expects a net operating income of Rs. 1,00,000. It has Rs. 5,00,000 6% debentures. The overall capitalization rate is 10%. Calculate the value of the firm and the equity capitalization rate (cost of equity) according to the Net Operating Income Approach.
  - b) If the debenture debt is increased to Rs. 7,50,000 what will be the effect on the value of the firm and equity capitalization rate?

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