PG Even Semester Exam, May 2025

Commerce

2nd Semester

COURSE NO. COM - 551

[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. "Maximization of Profits is regarded as the proper objective of investment decision, but it is not as exclusive as maximizing shareholder's wealth". Comment. 14

2. 'Define financial management. Discuss the nature and scope of financial management. 3+6+5=14

UNIT-II

3. Define Net Present value. What are its advantages/ Distinguish between Net Present value and Internal Rate of Return. 3+5+6=14

Following further information are available Raw materials in stock for one month, work-in-progress for half a month, finished goods for one month.

Credit allowed by supplier is one month, credit allowed to debtors in two months.

Leg in payments : Wages $1\frac{1}{2}$ weeks, overheads one month.

One-forth of the output is sold in cash.

Cash at Bank is Rs. 5,000

You are required to prepare statement showing output is 1,04,000 units. Consider one month equal to 4 weeks and production and sales is carried on evenly throughout the year. 14

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4. A company has an investment opportunity costing Rs, 2,40,000 with the following expected net cash flow after taxes and before depreciation.

Year	Net Cash Flow	Discount Factor @ 10%	Discount Factor @ 15%
1	42,000	.909	.870
2	42,000	.826	.756
3	42,000	.751	.658
4	42,000	.683	.572
5	42,000	.621	.497
6	48,000	.564	.432
7	60,000	.513	.376
8	90,000	.467	.327
9	60,000	.424	.284
10	24,000	.386	.247

Calculate:

i. Pay Back period,

ii. Net Present value @ 10% discount factor

iii. Profitability Index @ 10% discount factor

iv. Internal Rate of Return with 10% and 15% discount factor.

UNIT-III

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

6. a. Is equity capital cost free? Explain. 3

   b. What is Trading on Equity? 3

   c. A firm has sales of Rs. 10,00,000, variable cost Rs. 7,00,000 and fixed cost Rs. 2,00,000 with debt capital Rs, 5,00,000 at 10% rate of interest. What are the operating, financial and combined leverages? If the firm wants to double its earnings before interest and tax (EBIT) how much of a rise in sales would be needed on a percentage basis? 8

UNIT-IV

7. Critically explain the Gordon's model of dividend policy. 14

8. Write the importance of dividend policy. Also mention the different forms of dividend. 7+7=14

UNIT-V

9. Write notes on any two of the following: 7x2=14
   a. Motives of cash management
   b. EOQ analysis
   c. Management of Receivables

10. A proforma cost sheet of a company provides the following information.

Elements of costs	Amount per unit in Rs.
Raw material	40
Direct Labour	15
Overheads	30
Total Costs	85
Profit	15
Selling Price	100