

2025

COMMERCE

Course No. : CM703C

(Financial Management)*Full Marks : 60**Time : 3 hours**The questions are of equal value**The figures in the margin indicate full marks for the questions*

Answer any five questions

1. a) "The wealth maximization objective of financial management provides an operationally appropriate decision criterion" Comment. 12

Or

- b) Discuss the scope of financial management highlighting various types of finance functions. 12

2. a) Explain the Discounted cash flow techniques as a method of capital budgeting and highlight its advantages over the non discounted cash flow techniques. 7

- b) What do you mean by weighted Average Cost of Capital? Explain the rationale behind the use of weighted Average cost of capital 5

Or

- c) ABC Ltd is considering for investment in a project which costs Rs. 15, 00, 000/-. The life of the project is 5 years and the discounting rate is 12% p.a. The following are the cash inflows of the project

(Turn Over)

Year	Cash inflows (Rs)
1	3,20,000
2	4,60,000
3	5,20,000
4	6,00,000
5	4,40,000

Compute the followings

(i) Net present value

(ii) Profitability Index at 12 %

(iii) Pay Back period

4+4+4

3. a) Discuss the assumptions as well as implications of Net Income approach of capital structure theory

5

b) The expected EBIT of XYZ Ltd is Rs. 1, 30,000. The company has 10%, Rs. 2, 00,000 debentures. The equity capitalization rate is 11 %.

Calculate the overall cost of capital as well as value of the firm under NI approach

7

Or

c) Discuss the Net operating income approach explaining the irrelevance of capital structure in determining the value of the firm

12

4. a) Discuss the factors which are relevant for determining the dividend decisions of a firm.

6

b) State different forms of payment of Dividends. Highlight the advantages of issue of Bonus shares

6

Or

c) Discuss the Walter's model of relevance of Dividend policy

12

5. a) Discuss the Gross and Net concept of working capital Highlight the importance of working capital management for a manufacturing Firm. 5

b) Briefly discuss the various factors that determine the working capital needs of a firm. 7

Or

c) Calculate the Net operating cycle period of MNP Ltd from the following particulars.

The company has 360 working days in a year

Particulars	Amount (Rs. In 000s)
1. Raw material	
i) Purchase of R/M during the year	5823
ii) Opening stock of R/M	323
iii) Closing stock R/M	746
2. Direct labour and other direct expenses	1350
3. Opening stock of W.I.P	525
4. Closing stock of W.I.P	275
5. Opening stock of Finished Goods	420
6. Closing stock of Finished Goods	370
7. Selling and Admn Expenses	420
8. Credit sales	7250
9. Closing balance of Debtors	432

The credit or Payment Deferral Period allowed by the Creditors is 38 days 12

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