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(1st Semester)

COMMERCE

(Honours)

Paper No. : BCAF-01/BCM-01

(Financial Management)

Full Marks : 70

Pass Marks : 45%

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. (a) What are the objectives of Financial Management? Discuss the major financial decisions in brief. 5+9=14

Or

- (b) Discuss in brief Capital Budgeting Process. Explain about Payback Method, Net Present Value Method and Internal Rate of Return Method. 5+9=14

2. (a) Explain significance of the cost of capital. Compute cost of debt capital from the following : 4+10=14
- (i) X Ltd. issues 8% debentures at par of ₹ 50,000. The tax rate applicable to the company is 50%
 - (ii) Y Ltd. issues 8% debentures at a premium of 10% of ₹ 50,000. The tax rate applicable to the company is 60%
 - (iii) A Ltd. issues 8% debentures at discount of 5% of ₹ 50,000. The tax rate is 50%
 - (iv) B Ltd. issues 9% debentures at a premium of 10% of ₹ 50,000. The costs of floatation are 2%

Or

- (b) What is cost of capital? Discuss major problem of determination of cost of capital. 4+10=14

3. (a) Explain various types of leverage. What are the limitations of trading on equity? Discuss significance of financial leverage. 5+6+3=14

Or

(b) The following figures relate to two companies :

	P Ltd. ₹	Q Ltd. ₹
Sales	500	1,000
Variable costs	200	300
Contribution	<u>300</u>	<u>700</u>
Fixed cost	150	400
	<u>150</u>	<u>300</u>
Interest	50	100
	<u>100</u>	<u>200</u>

You are required to calculate—

- (i) Operating Leverage.
- (ii) Financial Leverage;
- (iii) Combined Leverage. 5+5+4=14

4. (a) Discuss factors determining the capital structure. 14

Or

(b) Explain determinants of Dividend Policy. 14

5. (a) What do you mean by Working Capital? Explain factors determining Working Capital Requirements. 2+12=14

Or

(b) From the following information extracted from the books of manufacturing concern, compute the operating cycle in days : $(3 \times 4) + 2 = 14$

Period covered—365 days

Average period of credit allowed by suppliers—16 days

Average total of debtors outstanding—₹ 480

Raw material consumption—₹ 4,400

Total production cost—₹ 10,000

Total cost of sales—₹ 10,500

Sales for the year—₹ 16,000

Value of average stock maintained :

Raw materials—₹ 320

Work-in-progress—₹ 350

Finished goods—₹ 260

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