

2016

(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 is finance function? Explain the major financial decisions of a business firm. 2+12=14

Or

- (b) Explain the need and importance of capital budgeting. A project's cash inflows and outflows are given below :

Year	Outflows (₹)	Inflows (₹)
0	1,50,000	—
1	30,000	20,000
2		30,000
3		60,000
4		80,000
5		30,000

Assume the required rate of return as 10% and salvage value at the end of 5th year as ₹ 40,000.

Calculate the NPV of the project. 7+7=14

2. (a) Define cost of capital. Explain its significance. 5+9=14

Or

- (b) How is cost of equity computed? How does it differ from cost of debt? 7+7=14

3. (a) Define financial leverage. What are different methods of measuring financial leverage? Explain the limitations of financial leverage. 3+4+7=14

Or

- (b) A simplified income statement of Zenith Ltd. for the year ended on 31st March, 2014 is given below :

	₹
Sales	10,50,000
Variable Cost	<u>7,67,000</u>
Fixed Cost	<u>75,000</u>
EBIT	2,08,000
Interest	1,10,000
Taxes (30%)	29,400
Net Income	<u>68,600</u>

Calculate and interpret its degree of operating, financial and combined leverage. 12+2=14

4. (a) What do you mean by dividend policy? Explain the determinants/factors of dividend policy. 2+12=14

Or

- (b) Explain different theories of capital structure. 14

5. (a) What is working capital? Discuss the principles of working capital management. 5+9=14

Or

- (b) From the following data, compute the duration of operating cycle for each of the two companies : 14

<i>Particulars</i>	X Ltd. ₹	Y Ltd. ₹
Stocks :		
Raw Materials	80,000	1,20,000
Work-in-progress	60,000	90,000
Finished Goods	50,000	76,000
Purchase/Consumption of		
Raw Materials	3,20,000	5,40,000
Cost of Goods Produced/Sold	6,00,000	7,60,000
Debtors	1,44,000	2,16,000
Creditors	40,000	54,000

[Assume 360 days per year for computational purpose]
