2025

(7th Semester)

COMMERCE

Course No. : BC-18

(Financial Management)

Full Marks : 75 *Pass Marks* : 40%

Time : 3 hours

The figures in the margin indicate full marks for the questions

Answer all questions

1. a) What is financial management? Discuss the nature and objectives of financial management. 3+6+6

Or

b) What is finance function? Explain the major financial decisions in a business. 3+12

2. a) Define cost of capital. What are the characteristics and role of cost of capital in financial decision making. 3+12

Or

b) A company is considering investment in a project that cost ₹2, 00,000. The project has an expected life of 5 years and zero salvage value. The company uses straight line method of depreciation and the required rate of return is 10%. The company's tax rate is 40%. The estimated earnings before depreciation and before tax from the project are as follows:

(Turn Over)

Year	Earnings before depreciation and tax (₹)	Present value factor at 10%
1	70,000	0.909
2	80,000	0.826
3	1,20,000	0.751
4	90,000	0.683
5	60,000	0.621

Calculate (i) Pay-Back Period (ii) Profitability Index (iii) Net Present Value **15**

3. a) Y Corp. has an EBIT of ₹7,00,000. The company has issued 12%, ₹25 lakh worth of debentures. The equity capitalization rate is 18%. Calculate the market value of equity and the overall values of the firm.

Or

b) What is operating leverage? How does it help in magnifying revenue of a concern?
From the following information, calculate
(i) Operating Leverage (ii) Financial leverage (iii) Combined leverage.
A company has sales of ₹5,00,000, variable costs of ₹3,00,000, fixed costs of ₹1,00,000 and long-term loans of ₹4,00,000 at 10% rate of interest. **3+6+6**

4. a) The share of P Ltd. currently sold at ₹100. The expected dividend per share at the year-end is ₹4. If the growth rate in dividend is 6%p.a., what is the equity capitalisations rate for P Ltd? **15**

Or

b) Explain the the theory of relevance i,e Walter's approach and Gordon's approach. **15**

5. a) Calculate Operating Cycle for a Manufacturing Firm Dabur India Ltd. has the following details: **15**

Average Inventory	₹10,00,000
Cost of Goods Sold (COGS)	₹5,00,000
Average Accounts Receivable	₹5,00,000
Net Credit Sales	₹60,00,000
Average Accounts Payable	₹3,00,000

Or

b) A proforma cost sheet of a company provides the following particulars:

Elements of cost	Amount per unit (₹)
Raw Materials	80
Direct Labour	30
Overheads	60
Total Cost	170
Profit	30
Selling Price	200

The following further particulars are available: **15**
Raw materials are in stock on an average for one month. Work-in-process is on an average for half a month. Finished goods are in stock on an average for one month. Credit allowed by suppliers is one month. Credit allowed to consumers is two months. Lag in payment of wages is 1 ½ weeks. Lag is payment of overhead expenses is one month. One-fourth of the output is sold against cash. Cash in hand and at bank is expected to be ₹25,000. You are required to prepare a statement showing the working capital needed to finance a level of activity of 1,04,000 units of production, assuming that production is carried on evenly throughout the year, wages and overheads accrue similarly and a time period of 4 weeks is equivalent to a month.

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