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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) Discuss in brief the scope of financial management. 14

Or

- (b) What is capital budgeting? Examine its need and importance. Write about payback period method with a suitable example. 2+6+6=14

2. (a) What is meant by cost of capital? What are the components of cost of capital? Explain about the cost of retained earnings. 2+6+6=14

Or

- (b) Explain about cost of preference capital. Calculate cost of preference capital—
(i) at par, (ii) at a premium of 10% and
(iii) at a discount of 5% from the following information : 5+3+3+3=14
A company issues 10000, 10% preference shares of ₹ 100 each. Cost of issue is ₹ 2 per share.

3. (a) Define leverage. What do you mean by operating leverage and financial leverage? Explain the limitation of financial leverage. 2+4+4+4=14

Or

- (b) Calculate financial leverage and operating leverage under Situations A and B, and Financial Plans I and II respectively from the following information relating to the operation and capital structure of ABC Ltd. : 7+7=14

Installed capacity	1000 units
Actual production and sales	800 units

