

Exam. Code : 115305

Subject Code : 8261

B.Com. (Financial Services) 5th Semester

FINANCIAL MANAGEMENT

Paper—I

Time Allowed—3 Hours] [Maximum Marks—50

Note :—Attempt **FIVE** questions in all, selecting at least **ONE** question from each section. The **fifth** question may be attempted from any section. All questions carry equal marks.

SECTION—A

1. What is Financial Management ? Discuss its scope and objectives.
2. (a) Explain the traditional methods of capital budgeting decisions.
(b) RPG Ltd. is considering two different investment projects. The details are as under :

	Project A (Rs.)	Project B (Rs.)
Investment cost	9,500	20,000
Cash Inflows :		
Year 1	4,000	8,000
Year 2	4,000	8,000
Year 3	4,500	12,000

Suggest the most attractive project on the basis of Internal Rate of Return.

SECTION—B

3. Explain :
 - (a) Degree of financial leverage.
 - (b) Degree of operating leverage.
4. Write notes on :
 - (a) Net Income Approach.
 - (b) Net Operating Income Approach.

SECTION—C

5. Discuss long term sources of finance.
6. Explain the various approaches of calculation of Cost of Equity Capital.

SECTION—D

7. Critically discuss Modigliani and Miller Approach of dividend decisions.
8. M/s PQ Ltd. wants to commence a new business. Estimated information is as follows :
 - (a) Expected Annual Sale Rs. 30,00,000
 - (b) Expected rate of Gross Profit on cost @ 25%
 - (c) Fixed overheads Rs. 60,000 per annum
 - (d) Estimated variable overheads @ 4% on sales
 - (e) Estimated Stock Turnover – 5 times a year

- (f) Estimated Debtor's Turnover – 8 times a year
- (g) Estimated Credit Purchases @ 80% of total purchases
- (h) Estimated Credit Sales @ 50% of total sales
- (i) Credit allowed by suppliers 1 month

The purchases and sales will be evenly spread throughout the year.

Calculate :

- (a) Estimated Net Profit for the year
- (b) Average Working Capital Requirement for the business.