

Exam. Code : 217602
Subject Code : 5618

M.Com. 2nd Semester
FINANCIAL MANAGEMENT
Paper : MC-202

Time Allowed—2 Hours] [Maximum Marks—100

Note :—There are **EIGHT** questions of equal marks.
Candidates are required to attempt any **FOUR** questions.

1. What is Financial Management ? Justify its role and relevance in present times. What is the ultimate goal of a financial manager for which he works ?
2. A company has on its books the following amounts and specific costs of each type of capital.

Type of Capital	Book Value (Rs.)	Market Value (Rs.)	Specific Costs (%)
Debt	4,00,000	3,80,000	5
Preference	1,00,000	1,10,000	8
Equity	6,00,000	9,00,000	15
Retained Earnings	2,00,000	3,00,000	13
	13,00,000	16,90,000	

Determine the weighted average cost of capital using :

- (a) Book value weights, and
- (b) Market value weights.

How are they different ?

3. From the following information, calculate the net present value of the two project and suggest which of the two projects should be accepted a discount rate of the two.

	Project X	Project Y
Initial Investment	Rs. 20,000	Rs. 30,000
Estimated Life	5 years	5 years
Scrap Value	Rs. 1,000	Rs. 2,000

The profits before depreciation and after taxation (cash flows) are as follows :

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Project X	5,000	10,000	10,000	3,000	2,000	
Project Y	20,000	10,000	5,000	3,000	2,000	
PV Factor@ 10%	0.90	0.82	0.751	0.68	0.62	0.56

4. What are the options available to a firm in India for raising short term and long term funds ? Discuss in detail.
5. State the reasons that make working capital management as an important function of the financial manager. Explain the three approaches to financing working capital.
6. Explain the significance of operating and financial leverage analysis for a financial executive incorporate profit and financial structure planning.
7. In establishing an optimum credit policy, the financial manager must consider the important decision variables which influence the level of receivables. Discuss these variables and their impact on credit policy.
8. What are the objectives of cash management ? What are the basic strategies of efficient cash management ? Illustrate with suitable examples the effect of these on the operating cash requirements of a firm.