Roll No. ☐☐☐☐☐☐☐☐☐☐☐☐ **Total No. of Pages : 02**

Total No. of Questions : 07

B.Com (P) (2011 & Onwards) (Sem.–6)

FINANCIAL MANAGEMENT

Subject Code : BCOP-603

Paper ID : [A2260]

Time : 3 Hrs. **Max. Marks : 60**

INSTRUCTION TO CANDIDATES :

1. **SECTION-A is COMPULSORY consisting of TEN questions carrying TWO marks each.**
2. **SECTION-B contains SIX questions carrying TEN marks each and a student has to attempt any FOUR questions.**

SECTION-A

l. Write briefly :

(a) What is Financial Management?

(b) Define Financial Planning.

(c) Define Capital Structure.

(d) What is Composite Leverage?

(e) What Is Scrip Dividend?

(f) Define Capital Budgeting.

(g) A company issues 10,000 10% preference shares of Rs. 100 each. Cost of issue is Rs. 2 per share. Calculate cost of preference capital if these shares are issued

(i) at par

(ii) at a premium of 10%.

(h) What is Decision Tree Analysis?

(i) Define Operating Cycle.

(j) Discuss the motives for Holding Cash.

SECTION-B

Q.2 What do you mean by business finance? What is the scope of finance function in a business enterprise? Should the goal of financial decision-making be profit-maximization or wealth-maximization?

Q.3 XYZ Ltd. is considering three financial plans for which the key information is as below :

(a) Total investment to be raised Rs. 4,00,000.

(b) Plans of Financing Proportion :

Plans	Equity	Debt	Preference Shares
A	100%	-	-
B	50%	50%	-
C	50%	-	50%

(c) Cost of debt 8%

Cost of preference shares 8%

(d) Tax Rate 50%

(e) Equity shares of the face value of Rs. 10 each will be issued at a premium of Rs. 10 per share.

(f) Expected EBIT is Rs. 1,60,000.

Determine for each plan :

(i) Earnings per share (EPS)

(ii) Financial break-even point

4. Discuss the following :

(a) Modigliani and Miller approach of dividend decisions.

(b) Walters Model

5 Discuss Net Present Value and Integral ratio of return methods of capital Budgeting.

6. A firm whose cost of capital is 10% is considering two mutually exclusive projects X and Y, the cash flows of which are given as follows:

Year	Project X (Rs.)	Project Y (Rs.)
0	– 1,00,000	– 70,000
1	80,000	60,000
2	80,000	60,000

Suggest which project should be taken up using :

(i) Net Present Value Method, and
(ii) Profitability

Index Method. P.V factor at 10% for year 1 = 0.909

P.V factor at 10% for year 2 = 0.826

7. Define the term working capital. What factors would you take into consideration in estimating working capital needs of a concern?