

Roll No.

Total No. of Pages : 02

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B.Com (Professional) (2013 to 2017 Batch) (Sem.-6)

FINANCIAL MANAGEMENT

Subject Code : BCOP-603

M.Code : 71028

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

1. Answer briefly :

- a) Define Financial Management.
- b) What are the limitations of payback period method?
- c) How equity capitals differ from preference capital?
- d) Discuss in detail inventory management.
- e) Define Operating leverage.
- f) What do you mean by capital structure?
- g) Define Equity Capital.
- h) What do you mean by retained earning?
- i) What is the need of financial manager?
- j) What do you mean by benefit-cost-ratio?

SECTION-B

2. Define the concept of finance. Discuss in detail relationship of financial management to economics and accounting. What forces are prodding companies in India to accord greater importance to the goal of shareholder wealth maximization? Comment on the emerging role of financial manager in India.

3. *“The amount of fixed capital needed varies directly with the amount of fixed asset owned”*. Explain what are the factors that influence estimation of fixed asset requirements of business?
4. Explain the position of M-M on the issue of an optimum capital structure, ignoring the corporate income taxes. Use an illustration to show how homemade leverage by an individual investor can replicate same risk and return as provided by the levered firm.
5. a) The earnings per share of a company are Rs.10 . It has an internal rate of return of 15 percent and the capitalization rate of its risk class is 12.5 percent. If Walter's model is used :
 - i) What should be the optimum payout ratio of the firm?
 - ii) What should be the price of the share at this payout?
 - iii) How shall price of the share be affected if a different payout were employed?
- b) What is Modigliani Miller's Irrelevance hypothesis? Critically evaluate its assumption.
6. What do you mean by the equity shares and preference share? Explain the feature of equity shares and preference share. What are the pros and cons of equity shares from the company's and investor's point of views? What is common between equity shares and preference share in India?
7. Define the concept of capital budgeting. Discuss in detail with the help of examples techniques of budgeting. How decision tree analysis approach can be used in capital budgeting decision?

NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.