2023/TDC(CBCS)/ODD/SEM/ COMHCC–502T/330

TDC (CBCS) Odd Semester Exam., 2023

COMMERCE

(Honours)

(5th Semester)

Course No. : COMHCC–502T

(Fundamentals of Financial Management)

Full Marks : 50
Pass Marks : 20

Time : 3 hours

The figures in the margin indicate full marks for the questions

SECTION—A

Answer *ten* questions, selecting any *two* from each Unit : 2×10=20

UNIT—I

1. What do you mean by a bond?

2. Why is financial management so important for a business organization?

3. Explain any two methods of measuring risk.

UNIT—II

4. What is a Profitability Index?

5. Why is project evaluation an important process in capital budgeting?

6. A project costs ₹ 1,60,000 and generates cash inflows ₹ 40,000 p.a. over a period of 6 (six) years. The standard payback period for the project is 5 years.

   Calculate payback period and give your comments.

UNIT—III

7. What is Cost of Capital?

8. Write a short note on retained earnings.

9. What is meant by financial leverage?

UNIT—IV

10. What is meant by bonus share?

11. What are the assumptions of Walter's model of dividend?

12. What are the consequences of high dividend payout ratio?

UNIT—V

13. State why should inventory be held by a business.

14. What are the significances of cash management in a business?

15. Elucidate the concept of receivable management.

SECTION—B

Answer *five* questions, selecting *one* from each Unit : 6×5=30

UNIT—I

16. Discuss the objectives of financial management.

17. What is Capital Asset Pricing Model? Mention its implications and limitations.

UNIT—II

18. What is Capital Budgeting? Discuss its importance.

19. From the following information, calculate the net present value of the project and comment. Assume a discount rate of 10% :

Years	*Outflows* (₹)	*Inflows* (₹)
0	1,50,000	—
1	30,000	20,000
2		30,000
3		60,000
4		80,000
5		30,000

The scrap value at the end of the 5th year is ₹ 40,000.

Year	:	1	2	3	4	5
PV factor	:	0·909	0·826	0·751	0·683	0·621

UNIT—III

20. What is Capital Structure? Discuss the various factors affecting the Capital Structure.

21. A company issues 20% debentures of the face value of ₹ 1,000 at a 10% discount. Assume 40% tax rate. Calculate the cost of debt in the following cases :

(i) When the debentures are irredeemable debt

(ii) When the debentures are redeemable at par

UNIT—IV

22. Discuss the Gordon's approach to theory of relevance in dividend decisions.

23. Explain the significance of dividend policy and how it can influence the value of the firm.

UNIT—V

24. What are the different sources of working capital finances?

25. Prepare a statement of working capital requirement of *ABC* Ltd. from the following data :

	Amount per unit
	₹
Elements of cost	40
Raw material	20
Direct labour	30
Overhead	90

The following is the additional information :

- Selling price per unit—₹ 100
- Level of activity—15600 units p.a.
- Raw material in stock—6 weeks
- Work-in-progress (assume 100% stage of completion of material and 50% for labour and overhead)—3 weeks

- Finished goods in stock—4 weeks
- Credit allowed to debtors—6 weeks
- Lag in payment of wages—2 weeks
- Cash and bank balance (expected)— ₹ 30,000
- Contingency—10% of total working capital

Assume that production is carried on evenly throughout the year (52 weeks).

★ ★ ★