

**TDC (CBCS) Odd Semester Exam., 2020  
held in March, 2021**

**COMMERCE  
( 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**

**1. Answer any ten of the following questions :**

**2×10=20**

- (a) Write two characteristics of financial management.
- (b) Write two functions of financial management.

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- (c) Write the objectives of financial management.
- (d) What is meant by time value of money?
- (e) What is meant by capital budgeting?
- (f) Point out the objectives of capital budgeting.
- (g) What is meant by cash flow?
- (h) What is internal rate of return?
- (i) What are the sources of long-term finance?
- (j) What is meant by cost of capital?
- (k) What is meant by optimum capital structure?
- (l) What is financial leverage?
- (m) What is dividend?
- (n) What is meant by dividend policy?
- (o) What is cash dividend?
- (p) What is stock dividend?
- (q) What is working capital?

( 3 )

- (r) What are the different types of working capital?
- (s) What is cash budget?
- (t) Explain the term 'EOQ'.

## SECTION—B

Answer any five questions

- 2. What is called risk in finance? Distinguish between systematic risk and unsystematic risk. 2+4=6
- 3. Discuss the methods available for valuation of equity shares. 6
- 4. Discuss any two techniques used to evaluate investment proposals with example. 6
- 5. Calculate the NPV of a small-sized project requiring an initial investment of ₹ 20,000 and which provides a net cash inflow of ₹ 6,000 each year for 6 years. Assume the cost of funds to be 8% p.a. and there is no scrap value. (Given the present value of ₹ 1 received annually for 6 years is 4.623 at 8% discount rate.) 6

( 4 )

6. Discuss the methods of determining cost of capital. 6
7. Discuss the MM hypotheses of capital structure. 6
8. Discuss the determining factors of dividend policy. 6
9. Briefly discuss the theories given by Walter and Gordon relating to dividend. 6
10. From the following particulars, prepare a statement showing working capital needed to finance a level of activity of 12000 units of output per annum : 6

*Analysis of selling price per unit*

	₹
Raw materials	5
Overhead	2
Labour	3
Total cost	<u>10</u>
Profit	<u>2</u>
Selling price	12

*Additional Information :*

- (i) Raw materials are to remain in store on an average 1 month
- (ii) Materials are in process on an average 2 months

( 5 )

(iii) Finished goods are in stock on an average 3 months

(iv) Credit allowed to debtors is 4 months

(v) Credit allowed by suppliers is 2 months

It may be assumed that production and overheads accrue evenly throughout the year.

11. Discuss the techniques of inventory management. 6

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