2022/TDC/ODD/SEM/COMHCC–502T/348

TDC (CBCS) Odd Semester Exam., 2022

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

UNIT—I

1. Answer any *two* of the following questions : 2×2=4

(a) What do you mean by Time Value of Money?

(b) Discuss the risk-return relationship.

(c) What is meant by systematic risk?

2. Answer any *one* of the following questions : 6

(a) What is Financial Management? Discuss briefly its scope. 1+5=6

(b) Discuss the financial decisions taken by a finance manager. Also establish interrelationship among them. 4+2=6

UNIT—II

3. Answer any *two* of the following questions : 2×2=4

(a) Differentiate between NPV method and IRR method.

(b) What are meant by payback period and post-payback profitability?

(c) A project requires an investment of ₹ 5,00,000 and has a scrap value of ₹ 20,000 after five years. It is expected to yield profits after depreciation and taxes during the five years amounting to ₹ 40,000, ₹ 60,000, ₹ 70,000, ₹ 50,000 and ₹ 20,000.

Calculate the average rate of return on the investment.

4. Answer any *one* of the following questions : 6

(a) Discuss the Capital Budgeting Process.

(b) The financial manager has to advise the Board of Directors on choosing between two competing project proposals which require an equal investment of ₹ 1,00,000 and are expected to generate cash flows as under :

Year	*Project—1* ₹	*Project—2* ₹
1	48,000	20,000
2	32,000	24,000
3	20,000	36,000
4	Nil	48,000
5	24,000	16,000
6	12,000	8,000

Which project proposal should be recommended and why? Assume the cost of capital to be 10% p.a.

The following are the present value factors at 10% per annum :

Year	1	2	3	4	5	6
Factor	0·909	0·826	0·751	0·683	0·621	0·564

UNIT—III

5. Answer any *two* of the following questions : 2×2=4

(a) What is meant by Trading on Equity?

(b) Write a note on internal sources of finances.

(c) Name some types of debentures.

6. Answer any *one* of the following questions : 6

(a) Explain the major determinants of capital structure.

(b) A 5-year ₹ 100 debenture of a firm can be sold for a net price of ₹ 96·50. The coupon rate of interest is 14% p.a., and the debenture will be redeemed at 5% premium on maturity. Calculate—

(i) before tax cost of debentures;

(ii) after tax cost if tax rate is 40%.

UNIT—IV

7. Answer any *two* of the following questions : 2×2=4

(a) Differentiate between Earning Per Share (EPS) and Dividend Per Share (DPS).

(b) What do you mean by dividend payout ratio?

(c) Explain the term 'stock dividend'.

8. Answer any *one* of the following questions : 6

(a) Discuss the Walter's approach of theory of relevance of dividend decision.

(b) Explain the various factors which influence the dividend decision of a firm.

UNIT—V

9. Answer any *two* of the following questions : 2×2=4

(a) What are Gross Working Capital and Net Working Capital?

(b) Why is maintaining adequate working capital important?

(c) What is meant by Cash Management?

10. Answer any *one* of the following questions : 6

(a) Explain the factors determining working capital requirements.

(b) *ABC* Ltd. sells its products on a gross profit of 20% on sales. The following information are extracted from its annual accounts for the year ended 31st March, 2020 :

	₹
Sales (3 months credit)	40,00,000
Raw Materials	12,00,000
Wages (15 days in arrears)	9,60,000
Manufacturing Expenses (1 month in arrears)	12,00,000
Administration Expenses (1 month in arrears)	4,80,000
Sales Promotion Expenses (payable half yearly in advance)	2,00,000

The company enjoys 1 month's credit from suppliers of raw materials and maintains 2 months' stock of raw materials and 1 and a half months' finished goods. Cash balance is maintained at ₹ 1,00,000 as a precautionary balance. Assuming a 10% margin, find out the working capital

requirements of *ABC* Ltd. Cost of sales for computation of debtors and stock of finished goods may be taken at sales minus gross profit as per rate of gross profit given.

★★★