5 SEM TDC FIMT (CBCS) C 512

2024

(November)

COMMERCE

(Core)

Paper : C–512

(Financial Management)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. *(a)* Write True or False : 1×4=4

(i) Pervasive, intensive and significant are the characteristics of finance manager.

(ii) Wealth maximization incorporates the time value of money.

(iii) Retained earnings have implicit cost only.

(iv) Liquidity decisions are concerned with working capital management.

(b) Fill in the blanks : 1×4=4

(i) The relationship between change in sales and change in operating profit is known as ____.

(ii) Management of working capital deals with the _____ liquidity position of the firm.

(iii) The most popular source of short-term funding is _____.

(iv) External source of finance does not include _____.

2. Write short notes on any *four* of the following : 4×4=16

(a) Trade credits

(b) Capital gearing

(c) Risk-return tradeoff

(d) Importance of working capital

(e) Stable dividend policy

3. (a) What do you mean by finance functions? Explain some of the crucial financial problems that a financial manager faces today. 4+10=14

Or

(b) Define 'Financial Management'. Explain the profit maximization and wealth maximization objectives of Financial Management. 4+5+5=14

4. (a) Explain the significance of working capital for a manufacturing concern. What shall be the consequences if a firm has—

(i) redundant working capital;

(ii) inadequate working capital? 4+5+5=14

Or

(b) Dibrugarh Ltd. is a newly setup enterprise. With the help of the following particulars, determine the measure of working capital : 14

(i) Various elements of cost bear the following relationship to the selling price, i.e., ₹ 300 p.u. :

Materials—40%
Labour—30%
Overhead—20%

(ii) Production in 2024–25 is estimated to be 8000 units

(iii) Materials are expected to remain in stores for an average period of 1 month

(iv) Finished goods are likely to stay in warehouse for 2 months on average

(v) Each unit of production will be in process for ½ a month on average

(vi) 50% of sales will be on credit. Customers are allowed 2 months credit

(vii) Credit period allowed by suppliers is 1 month

(viii) Lag-in-payment of labour is 1 month. 50% of overheads consists of salaries of non-production staff

(ix) Allow 20% to your computed figures for contingencies

(x) Assume that sales and production follow a constant pattern

5\. (a) Why are capital budgeting decisions more important? Explain briefly the following methods of capital budgeting bringing out the advantages and disadvantages of each : 4+5+5=14

(i) Pay-back period method

(ii) Net present value method

Or

(b) The data relating to two companies are as given below :

	Company—A	*Company—B*
Capital (in ₹)	8,00,000	7,50,000
12% Debentures (in ₹)	6,00,000	5,50,000
Output (units) per annum	80000	70000
Selling price/unit (in ₹)	30	250
Fixed costs per annum (in ₹)	7,00,000	14,00,000
Variable cost per unit (in ₹)	20	55

You are required to calculate the Operating leverage, Financial leverage and Combined leverage of two companies and also comment on their relative risk position. 14

6\. (a) Discuss the irrelevance theory of dividend decision by using Modigliani and Miller approach (MM Model). 14

Or

(b) What do you understand by retained earnings? Discuss the merits and limitations of ploughing back of profits as a source of finance. 4+10=14

★ ★ ★