

QP Code: 22/PT/9/XVIII (Old)

POST-GRADUATE COURSE

Term End Examination — June, 2022/December, 2022

COMMERCE (Old Syllabus)

Paper-XVIII : FINANCIAL MANAGEMENT

(Up to January 2021 Enrolment Session)

Time : 2 hours]

[Full Marks : 50

Weightage of Marks : 80%

Special credit will be given for accuracy and relevance in the answer. Marks will be deducted for incorrect spelling, untidy work and illegible handwriting. The weightage for each question has been indicated in the margin.

Use of scientific calculator is strictly prohibited.

Module - I

Answer any *two* of the following questions : $12\frac{1}{2} \times 2 = 25$

1. (a) State the limitations of profit maximisation goal of a firm.
(b) Discuss the role of the finance manager. $6 + 6\frac{1}{2}$
2. (a) What do you mean by 'time value of money' ? Why does time value of money arise ?
(b) Mr. Poor took a loan of Rs. 50,000 payable in 5 equal annual instalments including interest @ 10% p.a. for 5 years, Calculate the amount of each instalment. $2\frac{1}{2} + 5 + 5$
3. (a) What do you mean by 'factoring' ?
(b) Distinguish between Operating leverage and Financial leverage. $6 + 6\frac{1}{2}$
4. (a) Discuss any four essential qualities which a sound capital structure of a company should possess.

QP Code: 22/PT/9/XVIII (Old) 2

(b) Captain Ltd. has the following capital structure :

	Rs.
Equity share capital (expected dividend 15%)	6,00,000
Retained Earnings	2,00,000
12% Preference Share Capital	5,00,000
10% Debenture	4,00,000
8% Long term Loan	3,00,000
	<u>20,00,000</u>

Calculate after tax weighted average cost of capital assuming
40% as the rate of income tax. $6\frac{1}{2} + 6$

Module - II

Answer any *two* of the following questions : $12\frac{1}{2} \times 2 = 25$

5. (a) State any five factors which determine working capital requirement of a firm.
- (b) The following information is provided by Pioneer Ltd. for the year ending 31.03.2022.

Raw Materials storage period	45 days
WIP conversion period	15 days
Finished goods storage period	25 days
Debt collection period	30 days
Creditors payment period	55 days
Annual cash cost of operation (1 year = 360 days)	Rs. 36 lakhs

Calculate :

- (i) Operating cycle period
- (ii) Number of operating cycle in a year
- (iii) Approximate amount of working capital requirement.

$5 + 7\frac{1}{2}$

3 QP Code: 22/PT/9/XVIII (Old)

6. (a) What are the advantages of Pay Back period as a method of evaluation of capital budgeting decisions of a firm ?
- (b) Paramananda Ltd. presently in considering two machines for possible purchase. Other information related to the machines are as follows :

Particulars	Machine 1	Machine 2
Estimated Life (years)	4	4
Purchase Price (Rs.)	50,000	60,000
Cash Flow After Tax (CFAT)		
Year 1	Rs. 20,000	Rs. 30,558
Year 2	Rs. 20,000	Rs. 14,912
Year 3	Rs. 20,000	Rs. 16,674
Year 4	Rs. 20,000	Rs. 16,317

Rate of tax is 40%

Compute the NPV of each machine assuming a cost of capital of 8%. Which machine should the company buy ? $4 + 8\frac{1}{2}$

7. (a) Discuss the factors influencing dividend policy of firm.
- (b) Following information is available from *H* Ltd.
 Earnings per share – Rs. 10, Cost of Capital – 16%,
 Return on investment-20%, Retention Ratio – 60%,
 Calculate the market price per share of *H* Ltd. using Walter Model and also comment on firm's dividend policy. $5\frac{1}{2} + 7$
8. (a) What are the different symptoms of sickness of a firm ?
- (b) Distinguish between Systematic risk and Unsystematic risk. $6\frac{1}{2} + 6$