

POST-GRADUATE COURSE**Term End Examination :****December, 2014 / June, 2015****COMMERCE****Paper-XVIII : Financial Management****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.

MODULE – I

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

1. a) "The goal of profit maximization does not provide us with an operationally useful criterion." Comment.
- b) Discuss the new role of financial managers in the liberalization scenario. $8 + 4\frac{1}{2}$
2. a) Explain the relationship between risk and return.

PG-COM-1507-P

[P. T. O.

- b) Rabin has invested Rs. 10,000 in a scheme @ 10% p.a. compounded half-yearly. Now Rs. 10,000 become Rs. 10,500 at the end of the first half-year. Calculate the future value at the end of the 2nd half-year.

$$6 + 6\frac{1}{2}$$

3. a) What do you mean by venture capital ? State the important features of venture capital.
- b) Write a short note on commercial paper.

$$8\frac{1}{2} + 4$$

4. a) What do you mean by explicit and implicit cost of capital ?
- b) The following information in respect of X Ltd. and Y Ltd. are available.

	X Ltd.	Y Ltd.
Selling price p.u (Rs.)	15.00	20.00
Variable cost p.u (Rs.)	8.00	12.00
Sales volume (units)	20,000	22,000
Fixed costs (Rs.)	12,000	14,000
Interest (Rs.)		
Tax rate (%)	30	30
No. of equity shares	5,000	8,000

PG-COM-1507-P

Calculate :

- (i) EBIT
- (ii) EPS
- (iii) Degree of operating leverage
- (iv) Degree of financial leverage.

$$4 + 8\frac{1}{2}$$

MODULE – II

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

5. a) What do you mean by JIT ?
b) Calculate the operating cycle.

	Rs.
Average debtors outstanding	500
Raw material consumption	5,000
Total production cost	9,000
Total cost of goods sold	10,000
Sales for the year	15,500
Value of average stock :	
Raw materials	300
Work-in-progress	330
Finished goods	270

Period covered 365 days

Average period of credit allowed by supplier
15 days.

$$4 + 8\frac{1}{2}$$

6. What are various types of investment decision ?
What do you understand by —

(i) accept-reject decision

(ii) ranking decision ? $8 + 4\frac{1}{2}$

7. a) Discuss critically Gordon's Model of dividend policy and state the underlying assumptions.

b) Explain the uni-variate and multi-variate models for predicting sickness. $8\frac{1}{2} + 4$

8. a) Explain the basic principles of portfolio management.

b) What does the security market line describe ? $8\frac{1}{2} + 4$