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5 SEM TDC FIMT (CBCS) C 512

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(Nov/Dec)

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. Write True or False of the following : $1 \times 4 = 4$
 - (a) Retained earnings do not involve any cost.
 - (b) Profit maximization objectives consider the risk and time value of money.
 - (c) Dividend means ratio of profits to capital.
 - (d) Nature of seasonal working capital is long-term.

2. Fill in the blanks of the following : $1 \times 4 = 4$
 - (a) The two basic objectives of financial management are _____ and _____.

- (b) Profitability index is also known as _____.
- (c) The volume of sales is influenced by the _____ policy of the firm _____.
- (d) According to Modigliani and Miller approach, the total value of a firm is _____.

3. Write short notes on any four of the following :

- (a) Dividend Payout Ratio
- (b) Profit Maximization
- (c) Cost of Capital
- (d) Role of Financial Manager
- (e) Permanent Working Capital

4. "A financial manager is a person who is responsible in a significant way, to carry out the finance functions." Comment.

Or

You are supplied with the following information in respect of Jogen Das & Sons Ltd., Dibrugarh for the year 2019 :

Production for the year	69000 units
Finished goods in stores	3 months
Raw material in stores	2 months consumption
Production process	1 month
Credit allowed by creditors	2 months
Selling price to debtors	3 months
Raw material	50% of selling price
Direct wages	10% of selling price
Overheads	20% of selling price

There is regular production and sales cycle and wages and overheads accrue evenly. Wages are paid in the next month of accrual. Material is introduced in the beginning of production cycle. You are required to give out its working capital requirements. 14

5. What do you understand by capital budgeting? Explain the procedure of capital budgeting in detail. 6+8=14

Or

A Proforma Cost Sheet of HML Company provides the following particulars :

<i>Elements of Cost</i>	<i>Amount per unit</i> (in ₹)
Raw Material	80
Direct Labour	30
Overheads	60
Total Cost	170
Profit	30
Selling Price	200

The following particulars are further available :

Raw materials are in stock on an average of one month. Materials are in process on an average of half a month. Finished goods are in stock on an average of one month. Credit allowed by suppliers is one month. Credit allowed to debtors is two months. Lag in payments of wages is 1½ weeks. Lag in payment of overhead expenses is one month. One-fourth of the output is sold against cash. Cash-in-hand and at bank is expected to be ₹ 25,000.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 104000 units of production.

6. (a) What do you mean by cost of capital? Explain its importance in determining a good capital structure.
- (b) The capital structure and after-tax cost of capita of the specific source of Xena Ltd., is as follows :

Source	Amount (in ₹)	Cost of Capital
Debt	4,00,000	5.77%
Preference Capital	3,00,000	11.53%
Equity Capital	5,00,000	5.59%
Retained Earnings	2,00,000	15.00%

Calculate the weighted average cost of capital.

Or

What is working capital? Explain the sources of financing working capital requirements.

6+8=14

7. "The use of equity and borrowed capital depends on certain factors and there should be a rational proportion between the two." Explain.

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Or

What is the Modigliani-Miller approach of irrelevance concept of dividends? Under what assumptions do the conclusions hold good?

10+4=14