Instructions:
(1) Fill up strictly the details of signs on your answer book.
Name of the Examination: THIRD YEAR B. COM. (HONOURS) (SEM. 6)
Name of the Subject: FINANCIAL MANAGEMENT : PAPER - 3

(2) All questions are compulsory.

1 Short answers: 10
(1) Financial Break Even Point.
(2) Kinds of dividends.
(3) Bonus shares.
(4) Objectives of working capital management.
(5) Features of ideal inventory policy.

2 (a) Explain factors determining working capital requirements. 7
(b) Explain Motives of Holding Cash. 6

3 (a) Explain meaning of capital structure, its types and its determinants. 7
(b) Explain Walter’s model of Dividend policy. 6

4 (a) Short notes: (any 2) 10
(1) Net Operating Approach of Cap. structure
(2) m.m.theory of Dividend policy
(3) Operating Cycle.

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(b) Solve the following:

Goa enterprise Ltd. has 10,00,000 share of Rs.10 each with market price of Rs.50 per share. It has also issued bonds of Rs 4 crore @ 12% p.a. It is considering an expansion plan and needs to mobilise Rs 5 crore. The alternatives being considered are:

1. Issue equity at Rs 40 per share.
2. Issue straight bonds at 10% per annum.
3. Issue preference shares @ 12% p.a.
4. Finance 50% with equity at Rs 40 per share and 50% with bonds @ 10% per annum.

Tax - 35%, If the company is hopeful of generating an EBIT of 2.5 crore after expansion, which method of financing is the best from shareholder's viewpoint?