



K-0689

Third Year B. Com. (Honours) Examination
October/November – 2012
BC - 3.61 : Financial Management

Time : Hours]

[Total Marks : 70

Instructions :

(1)

नीचे दृशावेक निशानीवाणी विगतो उत्तरवही पर अवश्य कपवी. Fillup strictly the details of signs on your answer book.	Seat No. :
Name of the Examination :	<input type="text"/>
<input type="text" value="T. Y. B. COM. (HONOURS)"/>	<input type="text"/>
Name of the Subject :	<input type="text"/>
<input type="text" value="BC - 3.61 : FINANCIAL MANAGEMENT"/>	<input type="text"/>
Subject Code No. : <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="9"/>	<input type="text"/>
Section No. (1, 2,.....) : <input type="text" value="Nil"/>	<input type="text"/>
	Student's Signature

- (2) All questions are compulsory.
(3) Figures to the right indicate full marks.
(4) Show necessary calculations as part of your answer.

- 1 What does cost of capital mean ? Explain its significance and different concepts of cost of capital. 10
- 2 Explain concept of management of working capital and its significance. Explain cash management and factors affecting cash management. 10
- 3 (a) Explain financial management and concept of profit V/s wealth maximization. 5
(b) Explain Pay Back method as a technique of capital budgeting. 5
- 4 (a) Explain operating leverage and its utilities. 5
(b) Factors affecting capital structure. 5

5 A Ltd has two alternative projects for investments as under : 10

Year	Project A Cash flow	Project B Cash flow	Discount factor at 12%
0	-1,00,000	-75,000	—
1	20,000	25,000	0.893
2	30,000	25,000	0.797
3	40,000	40,000	0.712
4	40,000	35,000	0.636
5	30,000	30,000	0.567

The above cash flow is before depreciation and tax. Economic life of both the projects 5 years.

Depreciation is as per straight line method, corporate tax rate is 50%. Rate of discount 12%. Find out :

- (1) Average rate of return
- (2) Net present value
- (3) Profitability Index
- (4) Evaluate which project is more preferable.

6 (a) Calculate degree of operating leverage, financial leverage and combined leverage from the following : 5

Projects	P	Q	R
1. Output	3,00,000	75,000	5,00,000
2. Fixed cost (Rs.)	3,50,000	7,00,000	75,000
3. Unit variable cost (Rs)	1.00	7.50	0.10
4. Interest expenses (Rs.)	25000	40000	—
5. Unit selling price (Rs.)	3.00	25.00	0.50

- (b) ABC Co. Ltd raises preference share capital of Rs. 1,00,000 by issue of 10% Pref. Shares of Rs. 100. Calculate cost of preference shares when
- (1) issued at par
 - (2) issued at discount of 10%
 - (3) issued at premium of 10%.

7 Short notes : (any two) 10

- (1) m. m. Hypothesis of capital structure
- (2) Factors affecting dividend policy
- (3) Concept of NPV and IRR and its comparison.