

**2008000206060011**  
**EXAMINATION FEBRUARY-MARCH 2024**  
**BACHELOR OF COMMERCE (HONORS)**  
**(SIXTH SEMESTER)**  
**FINANCIAL MANAGEMENT- III-LEVEL 6**

[Time: As Per Schedule]

[Max. Marks: 50]

**Instructions:**

**1. Fill up strictly the following details on your answer book**

- a. Name of the Examination : **BACHELOR OF COMMERCE (HONORS) (SIXTH SEMESTER)**
  - b. Name of the Subject : **FINANCIAL MANAGEMENT- III-LEVEL 6**
  - c. Subject Code No : **2008000206060011**
2. Sketch neat and labelled diagram wherever necessary.  
3. Figures to the right indicate full marks of the question.  
4. All questions are compulsory.

Seat No:

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Student's Signature

**Q.1 Answer in brief (Any Five):**

**10**

1. Explain the term 'Gross Working Capital'.
2. What is operating cycle of a manufacturing firm?
3. What is weighted average cost of capital?
4. Briefly explain Debt-Equity ratio.
5. List kinds of dividends.
6. State the assumptions of Walter's model of dividend decision.

**Q.2**

- a. Explain 'Net Operating Income Approach' of capital structure. **6**
- b. What is dividend policy? Explain Gordon's approach to dividend policy **7**

**OR**

- a. The earnings per share of a company are Rs. 8 and the capitalisation rate applicable to it is 10%. The company has before it an option of adopting a payout ratio of 50%, or 75%. Using Walter's formula compute the market value of the company's share if the productivity of retained earnings is (i) 15% (ii) 10 % (iii) 5%. **6**

- b. For varying levels of debt-equity mix, the estimates of the cost of Debt and Equity Capital are given below: 7

Debt as % of Total Capital Employed	Cost of Debt (%) (Before tax)	Cost of Equity (%)
00	12	15
10	12	15
20	12	16.5
30	13	17
40	15	18
50	17	21
60	20	24

Assume 30% corporate tax rate. Determine optimal capital structure.

- Q.3**
- a. Discuss nature and significance of working capital. 6
- b. Discuss determinants of working capital requirement. 7

**OR**

- a. What are the different reasons of holding cash balance? List out factors determining cash management. 6
- b. Explain the various working capital management strategies. 7

- Q.4 Write short note on (Any Two):** **14**

1. Issues in dividend policy
2. EBIT-EPS analysis
3. Techniques of monitoring receivables

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