P1111

RAN-2008000206060011

RAN-2008000206060011

B. Com. (Hons) (Sem. - VI) Examination October - 2025

Financial Management - III

Time: 2 Hours] **[Total Marks: 50**

સૂચના : / Instructions

(1) ઉપરોક્ત દર્શાવેલ વિગતો ઉત્તરવહી પર અવશ્ય લખવી.
Fill up strictly the above details on your answer book.

Seat No.:

Student's Signature

Q. 1. Answer in brief (Any Five): **(10)**

1. Explain the term 'Working Capital'.
2. Explain transaction motive of cash management.
3. Explain financial break-even point.
4. What is Debt-Equity Ratio?
5. What are growth firms and declining firms as per Walter's model?
6. State assumptions of Walter's model.

Q. 2. a. Explain "Net Operating Income Approach" of capital structure. **(06)**

b. Discuss the different forms of dividends. **(07)**

OR

Q. 2. a. In considering the most desirable capital structure of a company, the following estimates of the cost of debt (before tax) and equity capital has been made at various levels of Debt-Equity mix. **(06)**

Case	Debt Amount (Rs.)	Equity Amount (Rs.)	Cost of Debt (%)	Cost of Equity (%)
1	---	20,00,000	10	12.0
2	2,00,000	18,00,000	10	12.0
3	4,00,000	16,00,000	10	12.5
4	6,00,000	14,00,000	11	13.0
5	8,00,000	12,00,000	12	14.0
6	10,00,000	10,00,000	13	16.0
7	12,00,000	8,00,000	14	20.0

Suggest the optimal Debt-Equity Mix for the company assuming tax rate of 35%.

b. The earnings per share of a company are Rs. 16. The market rate of discount applicable to the company is 12.5%, retained earning can be employed to yield a return of 10%. The company is considering a payout of 25%, 50% and 75%. Which of these would maximize the wealth of shareholders if Walter's formula is used? **(07)**

Q. 3. a. What is inventory management? Discuss motives of holding inventories. **(06)**

b. Discuss operating cycle of a manufacturing firm. **(07)**

OR

Q. 3. **a.** What is the impact of business cycle, production cycle and nature of business on requirement of working capital management? **(06)**

b. Discuss the significance of working capital. What are the important areas of working capital management? Briefly explain all. **(07)**

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

1. Gordon's model of dividend policy
2. Credit policy variables
3. EBIT-EPS analysis
