

B/JI/07
PG CO-XVIII

POST-GRADUATE COURSE

Term End Examination — December, 2009

M.Com.

FINANCIAL MANAGEMENT

PAPER XVIII

Time — 2 hours

Full marks—50
(Weightage of marks—80%)

Special credit will be given for accuracy and relevance in the answer. Marks will be deducted for incorrect spelling, untidy work and illegible handwriting. The weightage for each question has been indicated in the margin.

Module – A

(Answer *any two* questions)

- 1.(a) Why does money have time value ?
(b) Explain the relationship between risk and return.
6+6½
- 2.(a) Discuss the factors that influence the choice of sources of finance.
(b) What are the principal components of a financial system ?
7+5½
- 3.(a) Why is the Cost of Capital most appropriately measured on 'after tax' basis ?

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(2)

- (b) The following is the capital structure of a company.

Source	Amount (Rs.)	Cost (Rs.)
Equity share		
Capital	3,00,000	15%
16% Debentures	3,50,000	10%
12% Pref. Capital	2,00,000	12%
Retained Earnings	1,50,000	15%

Calculate weighted average cost of capital. 6½+6

- 4.(a) What is an indifference point' in the EBIT-EPS analysis ? How would you compute it ?
(b) Is there any relationship between CVP analysis and operating leverage ? Discuss with an example.
7+5½

Module – B

(Answer *any two* questions)

5. From the following information, compute the operational cycle in days.
Period Covered : 365 Days.
Average period of Credit allowed by supplier : 15 days
Average Debtors outstanding : Rs. 450·00
Total production cost : Rs. 9,500·00
Raw Material Consumed : Rs. 4,000·00
Total Cost of goods sold : Rs. 10,000·00
Sales during the period : Rs. 15,500·00
Average stock maintained :
Raw materials Rs. 300·00
Work-in-progress Rs. 330·00
Finished goods Rs. 270·00

12½

(3)

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- 6.(a) State the circumstances under which conflicting ranking would be given by the IRR and NPV method ?
- (b) What is terminal value ? 8+4½
- 7.(a) Discuss critically Gordon's Model of dividend policy and state the underlying assumptions.
- (b) Discuss the legal & financial considerations in formulating dividend policy. 8+4½
8. Write short notes on *any two* :
- (i) Business risks.
 - (ii) Capital budgeting and Capital rationing.
 - (iii) Symptoms of Sickness.
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