

POST-GRADUATE COURSE

Term End Examination — December, 2008

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.

Group – A

Answer any two questions :

$12\frac{1}{2} \times 2 = 25$

1. Explain the various functions of Financial Management of a firm and examine how these functions contribute to the 'value maximization' objective of the firm. $12\frac{1}{2}$

2. (a) State the importance of time value of one in financial management.

(b) The following particulars of XYZ Ltd. at the end of 2007 are available.

(i) Rs. 5,00,000 Equity Shares of Rs. 10 each. Present dividend per share is Rs. 15; market price Rs. 100 per share. Growth rate in dividend : 5%.

(ii) Retained Earnings—Rs. 2,00,000.

(iii) 8% Rs. 5,00,000 Preference Shares of Rs. 50 each.

(iv) 13%, Debenture issued at par at Rs. 1000 (No. of debentures—200)

(v) 13.5% Debenture issued at 10% premium (No. of Debentures—100, nominal value Rs. 1000)

Assuming that XYZ Ltd. is in a 50% tax bracket.

Compute the weighted average cost of capital. $4+8\frac{1}{2}$

3. Write short notes (any three) :

(i) Degree of financing leverage.

(ii) Venture Capital.

(iii) External yield criterion.

(iv) Relationship between operating leverage and C-V-P analysis.

Group – B

Answer any two questions :

$12\frac{1}{2} \times 2 = 25$

4. (a) What factors would you take into consideration in selecting a portfolio?

(b) Mention different causes of corporate sickness.

5. (a) A company sales goods to the customer of Rs. 2000 on 90 days credit terms with an average bad debt rate of 3% and 2% on administration cost of outstanding balance. Calculate the cost of credit (assume that the market lending rate available @ 18% p.a.)

If a cash discount of 6% is allowed, then the company could get immediate payment of the company. What would then be the course of action for the company?

(b) What do you mean by Just-in-Time (JIT) inventory system? $10+2\frac{1}{2}$

(3)

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6. Write short notes (any *three*) :

- (i) Assumptions of CAPM.
 - (ii) Terminal Value.
 - (iii) Assumptions of Gordon's model.
 - (iv) Internal Rate of Return.
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