

Total number of printed pages-7

63/1 (SEM-5) CC11/DSE1A/
COMHC5116/COMRE5116

2023

COMMERCE

Paper : COMHC5116/COMRE5116

(Financial Management)

Full Marks : 80

Pass Marks : 32

Time : Three hours

The figures in the margin indicate full marks for the questions.

1. Choose the most appropriate answer from the multiple choices given against each :
(any six) $1 \times 6 = 6$
 - (a) A person who is responsible in a significant way to carry out the finance functions is called
 - (i) Treasurer
 - (ii) Controller
 - (iii) Financial Manager
 - (iv) Marketing Manager

Contd.

(b) Which one of the following is not a nature of financial management ?

- (i) An indispensable organ of business management
- (ii) Helpful in decision of top management
- (iii) Conducting market surveys
- (iv) Wide scope

(c) When the firm had adequate cash to pay for its bills, it is known as

- (i) profitability
- (ii) safety
- (iii) liquidity
- (iv) accountability

(d) Which one of the following is related to short-term financial decision ?

- (i) Capital budgeting
- (ii) Capital structure
- (iii) Fund requirement
- (iv) Working capital management decision

(e) Which one of the following is not a step of capital budgeting process ?

- (i) Project generation
- (ii) Screening the proposals
- (iii) Capital redemption
- (iv) Project evaluation

(f) Ownership securities are represented by

- (i) debentures
- (ii) shares
- (iii) treasury bills
- (iv) commercial paper

(g) Which of the following involves the determination of the percentage of profits earned by the enterprise which is to be paid to its shareholders ?

- (i) Investment decision
- (ii) Capital budgeting
- (iii) Financing decision
- (iv) Dividend decision

(h) The level of operations where both return and risk are optimized is known as

- (i) wealth maximization
 - (ii) profit maximization
 - (iii) risk-return trade-off
 - (iv) capitalization
- Capital structure refers to
- (i) ordinary share capital
 - (ii) preference share capital
 - (iii) reserves and surplus
 - (iv) ordinary share capital + preference share capital + reserves and surplus + long-term loans

(j) In wealth maximization, financial management considers interest of the

- (i) shareholders
- (ii) stakeholders
- (iii) shareholders and stakeholders
- (iv) debenture holders

2. Answer the following questions briefly :
(any five) 2×5=10

- (a) What is financial management ?
- (b) Define capital budgeting.
- (c) What is desirable minimum rate of return or cut-off return rate ?
- (d) What is cost of equity capital ?
- (e) What do you mean by 'operating leverage' ?
- (f) State the meaning of stock dividends.
- (g) What is operating cycle in a manufacturing firm ?

3. Answer any six of the following questions :
5×6=30

- (a) What are the objectives of financial management ?
- (b) Write a short note on time value of money in capital budgeting.
- (c) Discuss the importance of capital budgeting.
- (d) State any three merits and any three demerits of payback period method.

- (e) What is the significance of cost of capital?
- (f) Define average rate of return. How is it computed? $2+3=5$
- (g) Explain the procedure of capital budgeting.
- (h) What are the sources of long-term financing?
- (i) What are the basic issues involved in dividend policy?
- (j) Explain the sources of financing working capital requirements.

4. Answer **any two** of the following questions : $10 \times 2 = 20$

- (a) Discuss the nature and scope of financial management.
- (b) The annual demand for a product is 6,400 units. The unit cost is Rs. 6 and inventory carrying cost per unit per annum is 25% of the average inventory cost. If the cost of procurement is Rs. 75, determine _____.

(i) economic order quantity (EOQ)

- (ii) number of orders per annum; and
- (iii) time between two consecutive orders. $4+3+3=10$
- (c) What do you mean by capital structure? Discuss the factors influencing the capital structure of a company. $2+8=10$
- (d) What do you understand by receivables management? Describe, in detail, various factors affecting investment in receivables. $2+8=10$

5. Answer **any one** of the following questions : 14

- (a) What is Net Present Value method? Discuss the necessary steps to be followed for adopting the Net Present Value method of evaluating investment proposals. $4+10=14$
- (b) Explain various factors which influence the dividend decisions of a firm.
- (c) Define working capital. Explain clearly its significance. $4+10=14$