

2022

(Held in 2023)

COMMERCE

Paper : COMHC51116/COMRE5016

(Financial Management)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Choose the correct option from the following : 1×6=6

- (a) Which one of the following is a part of financial decision-making?
- (i) Investment decision
 - (ii) Financing decision
 - (iii) Dividend decision
 - (iv) All of the above
- (b) Cost of capital refers to
- (i) flotation cost
 - (ii) dividend
 - (iii) minimum required rate of return
 - (iv) None of the above

KB23/221

(Turn Over)

- (c) IRR comes under
 - (i) traditional method
 - (ii) DCP method
 - (iii) old method
 - (iv) None of the above
- (d) Gross working capital is
 - (i) cash at bank
 - (ii) total current assets
 - (iii) total current assets - current liabilities
 - (iv) total assets
- (e) Use of debt capital to gain is known as
 - (i) financial leverage
 - (ii) operating leverage
 - (iii) financial operating leverage
 - (iv) position and operating ratio
- (f) Dividend can be paid out of
 - (i) capital profit
 - (ii) current profit
 - (iii) past profit
 - (iv) None of the above

- 2. Answer the following questions briefly : 2×5=10
 - (a) State the meaning of pay-back period.
 - (b) What do you mean by financial leverage?
 - (c) What is zero-coupon bond?
 - (d) State the meaning of dividend.
 - (e) State two factors influencing capital structure.
- 3. Answer any six of the following questions : 5×6=30
 - (a) Write a note on optimum capital structure.
 - (b) Why is wealth maximization more viable goal of finance function? Explain.
 - (c) Explain the factors determining the capital structure.
 - (d) Describe the various perspectives of financial goals.
 - (e) Define Net Present Value. How is it computed in a capital budgeting decision?
 - (f) Examine the difference between financial leverage and operating leverage.

(4)

- (g) Discuss the use of Internal Rate of Return (IRR).
- (h) What are the factors that determine the needs of working capital?
- (i) State the limitations of financial management.

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

- (a) What is meant by financial management? Explain the importance of financial management.
- (b) A company is considering to purchase one of the following two computers, the details of which are given below :

Year	Cash inflow (in ₹)		Discount factor @10%
	Computer—A	Computer—B	
1st	20,000	22,000	0.909
2nd	24,000	40,000	0.826
3rd	26,000	8,000	0.751
4th	18,000	20,000	0.683
5th	12,000	10,000	0.621

Cost of Computer—A and Computer—B is ₹ 55,000 each.

Calculate the Net Present Value and suggest which one should be purchased by management of the company.

KB23/221

(Continued)

(5)

- (c) Elaborate the determinants of capital structure of a corporate entity and the benefits of a balanced capital structure.

5. Answer any one of the following questions : 14

- (a) Describe the various perspectives of financial goals.
- (b) Discuss the financial goal and compare between profit maximization and wealth maximization. $4+10=14$

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