

Total number of printed pages-5

63/2 (Sem-2) MCO202

2024

COMMERCE

Paper : MCO202

(Financial Management and Policy)

Full Marks : 80

Pass Marks : 32

Time : Three hours

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

1. Select the correct answer from the following questions : $1 \times 6 = 6$
 - (a) The activities of financial manager allocating the company's available funds to meet costs, such as mortgages or rents, salaries, raw materials, etc. is called
 - (i) Planning
 - (ii) Budgeting
 - (iii) Managing
 - (iv) Directing

Contd.

(b) The ability of a firm to use fixed-cost assets or funds to blow up the return to its owners is

- (i) Leverage
- (ii) Financial Leverage
- (iii) Operating Leverage
- (iv) Composite Leverage

(c) With respect to labour and overhead expenses, work-in-progress are assumed on an average

- (i) 25%
- (ii) 40%
- (iii) 50%
- (iv) 55%

(d) Which of the following dividends promises to pay shareholders at future date?

- (i) Cash
- (ii) Stock
- (iii) Property
- (iv) Scrip

(e) When the actual profits of a company is not sufficient to pay interest and dividends at proper rates, it is a case of

- (i) Proper Planning
- (ii) Proper Budgeting
- (iii) Overcapitalization
- (iv) Undercapitalization

(f) Gordon's growth model of dividend is used to determine the

- (i) Exact value of dividends
- (ii) Exact value of firm's equity
- (iii) Exact value of the debts
- (iv) Exact value of the stock

2. Answer the following short questions : $2 \times 5 = 10$

(a) What do you mean by optimum capital structure?

(b) Distinguish between permanent and reserve working capital.

(c) What is meant by liquidating dividend?

(d) What is inflation rate in financial management?

(e) How the age of a corporation determines dividend policy?

3. Answer the following questions : **(any six)**
 $5 \times 6 = 30$

(a) Briefly explain the objectives of financial management.

(b) Discuss the importance of working capital management.

(c) Following are the information extracted from Sunrise Ltd. :

Earnings Before Interest Tax (EBIT)	=	100,000
Debentures	=	300,000
Cost of Debentures issued	=	10%
Weighted Average Cost of Capital (WACC)	=	12.5%

Calculate the value of the company. What would be the value of the company if debenture increases from 3,00,000 to 4,00,000 and other things remain the same ?

- (d) Explain the factors that affect long-term investment decision.
- (e) Briefly discuss the types of dividend policies.
- (f) Explain the arguments of Walter's dividend policy.
- (g) Briefly explain the factors affecting dividend policy of a corporation.
- (h) Distinguish between cash and stock dividend.
- (i) Discuss the effects of inflation on current assets and fixed assets.

4. Answer **any two** of the following questions :
10×2=20

- (a) Explain the various approaches of estimation of working capital requirement with example.
- (b) Compare and contrast Walter's and Gordon's theories of dividend policy.
- (c) Discuss the relationship that exists between inflation and capital budgeting.

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

- (a) What are the various financial decisions? Explain the factors that affect each of the financial decisions in financial management.
- (b) What is dividend irrelevance theory of Modigliani and Miller? Discuss its assumptions and criticism.