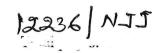
D-45 2111



## FINANCIAL MANAGEMENT- ...

1106T

(Semester-I)

Time: Three Hours

Maximum Marks: 70

Note: Attempt any two questions each from section A and B carrying 10 marks each. Candidates are required to attempt any 10 questions from section C carrying 3 marks each.

## **SECTION- A**

- I. "It is not profit maximization but maximization of corporate wealth that is the ultimate objective of financial decisions." Comment.
- II. Explain the concept of financial leverage. Show the impact of financial leverage on the earning per share of the shareholders.
- III. A project costs Rs. 15000 and is expected to generate cash inflows of Rs. 8000, Rs. 7000, Rs. 6000 at the end of each year for next 3 years. Compute the NPV and Pay back period of the project. Assume discount rate 10 %. The present value for Re. 1 at 10 per cent is

1 year	0.909
2 year	0.826
3 year	0.751

IV. A company issues Rs. 10,00,000 10% redeemable debentures at a discount of 5%. The cost of floatation amount to Rs.30,000. The debentures are redeemable after 5 years. Tax rate is 50%. Compute before-tax and after-tax cost of debt.

## **SECTION - B**

- V. Briefly explain the various factors that determine the working capital requirements of the firm.
- VI. Explain the implications of NI approach and NOI approach of capital structure.
- VII. A company has a total investment of Rs. 500000 in assets and 50000 outstanding shares at Rs. 10 each. It earns a rate of 15% on its investment, and retains 50 % of the earnings. If the discount rate is 10%, determine the price of the share using Gordon's model. What will happen to the price of the share if company has a payout of 80%?

- VIII. The company has an expected usage of 50,000 units of certain product during the year. The cost of processing an order is Rs. 20 and the carrying cost per unit is Re. 0.50. Compute a) EOQ.
- b) Further, compute reorder point assuming that the lead time is 5 days and the average daily usage is 200 units.

## **SECTION - C**

- IX. Explain the following (any ten)
- i. Capital rationing
- ii. Time value of money
- iii. Forms of dividend
- iv. Types of Mergers and acquisitions
- Credit policy `
- vi. Operating cycle
- vii. ABC inventory control system
- viii. Types of working capital
- ix. Opportunity cost
- x. Motives of holding cash
- xi. Retained earnings
- xii. Liquidity decisions

12236 NJJ