

5. (a) "Capital budgeting is long-term planning for making and financing proposed capital outlay." Explain. What are the limitations of capital budgeting? 6+8=14

Or

(b) (i) What is meant by cost of capital? What are the components of the cost of capital? 3+3=6

(ii) What is the cost of retained earnings? How is cost of new equity issues determined? 4+4=8

6. (a) What is the Modigliani-Miller approach of irrelevance concept of dividends? Under what assumptions do the conclusions hold good? 10+4=14

Or

(b) What do you understand by retained earnings? Discuss the merits and demerits of ploughing back of profits. 4+5+5=14

2021

(Held in January/February, 2022)

COMMERCE

(Core)

Paper : C-512

(Financial Management)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

The figures in the margin indicate full marks for the questions

- (a) Write True or False : (1×4=4)
 - (i) Wealth maximization is a socialistic approach.
 - (ii) Cash management is an important task of the finance manager.
 - (iii) Temporary investments of surplus funds are not current assets.
 - (iv) Dividend means ratio of profit to capital.

(b) Fill in the blanks : 1x4=4

- (i) The cost of capital is the _____ rate of return expected by its investors.
- (ii) Payment of dividend involves legal as well as _____ considerations.
- (iii) Corporation finance deals with the _____ form of organization.
- (iv) The volume of sales is influenced by _____ policy of a firm.

2. Write short notes on (any four) : 4x4=16

- (a) Profit maximization
- (b) Optimal capital structure
- (c) Financial leverage
- (d) Payback period method
- (e) Dividend payout ratio

3. (a) "The responsibilities of a finance manager is now regarded as much more than mere procurement of funds." What do you think are other responsibilities of a finance manager? 14

Or

(b) What is financial management? Discuss its significance in modern era. State the objectives of financial management. 4+5+5=14

4. (a) What do you understand by working capital? Discuss the various sources of working capital funds. 4+10=14

Or

(b) Mohan Manufacturing Co. Ltd. is to start production on 1st Jan, 2021. The prime cost of a unit is expected to be ₹ 40 out of which ₹ 16 is for materials and ₹ 24 for labour. In addition, variable expenses per unit are expected to be ₹ 8 and fixed expenses per month ₹ 30,000. Payment for materials is to be made in the month following the purchase. One-third of sales will be for cash and the rest on credit for settlement in the following month. Expenses are payable in the month in which they are incurred. The selling price is fixed at ₹ 80 per unit. The number of units manufactured and sold are expected to be as under :

January	900
February	1200
March	1800
April	2100
May	2100
June	2400

Draw up a statement showing requirements of working capital from month to month, ignoring the question of stocks. 14