Sl. No. 100103

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PJ-520

I Semester M.Com.(Finance & Accounting) Examination,
February - 2020
(CBCS Scheme)

Paper - 1.4 : MANAGERIAL FINANCE

Time : 3 Hours

Max. Marks : 70

Instructions : *(i) Answer **all** Sections.*
(ii) P.V. tables will be supplied on request.

SECTION - A

1. Answer **any seven** sub-questions. Each sub-question carries **2** marks. **7x2=14**

(a) What do you mean by shareholder value ?
(b) Differentiate between Financial risk and Business risk.
(c) What do you mean by Financial leverage ?
(d) How do you overcome technical insolvency ?
(e) List three limitations of Payback method.
(f) Define the concept of time value of money.
(g) What is profitability index ?
(h) What is Optimal Capital Structure ?
(i) What do you mean by beta-coefficient ?
(j) What is meant by Ageing Schedule ?

SECTION - B

Answer **any four** questions. Each question carries **5** marks. **4x5=20**

2. Illustrate the concept of "Operating Cycle".

3. What are the factors to be considered while designing Capital Structure for a company ?

4. Write a note on Corporate Financial Policy.

5. Outline the dangers of inadequate working capital.

6. Compute the EOQ from the following :

Annual requirement	:	20,00,000 units
Purchase Price	:	₹ 40 per unit
Ordering Cost	:	₹ 100 per order
Carrying cost of inventory	:	10% of cost

P.T.O.

7. Calculate the cost of equity from the following information :

Dividend per share	:	75%
Estimated rate of growth	:	10%
Market price per share	:	₹ 105
Face value per share	:	₹ 10
Book value per share	:	₹ 65

SECTION - C

Answer **any three** questions. Each question carries **12** marks. **3x12=36**

8. Compare and critically examine the behavioural models of Dividend Policy.

9. Define Finance Functions and discuss the role of Finance Manager in the changing financial environment and economic environment.

10. Discuss the sources of working capital finance of a manufacturing company.

11. XYZ Co. Ltd., has an average selling price of ₹ 10 per unit. Its variable unit cost is ₹ 7 and fixed cost amounted to ₹ 2,00,000. It finances all its assets by equity capital. It pays 40% tax on its income. ABC Co. Ltd., is identical to XYZ Co. Ltd. except in respect of the pattern of financing. The latter finances its assets 50% by equity and 50% by debt. The interest on which amounts ₹ 50,000.

Determine the degree of operating, financial and combined leverages at ₹ 10,00,000 sales for both the firms and interpret the results.

12. You are the financial analyst of Norton Company Ltd. The director of capital budgeting has asked you to analyse two projects 'A' and 'B'. Each project has a cost of ₹ 10,00,000 and the cost of capital for each project is 12%. The expected cash flows of each project are as follows.

	Expected Net Cash Flows	
Year	**Project 'A'**	**Project 'B'**
	₹	₹
0	10,00,000	10,00,000
1	6,50,000	3,50,000
2	3,00,000	3,50,000
3	3,00,000	3,50,000
4	1,00,000	3,50,000

Required :

(a) Calculate each projects payback period, NPV and IRR.

(b) Which project should be accepted if they are mutually exclusive ?

(c) If at all there is a conflict in ranking how would you resolve it ?

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