

**63/1 (SEM-5) (CC11/DSE1A)/
COMHC5116/RE5016**

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(Held in 2023)

COMMERCE

Paper : COMHC5116/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

(2)

- (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

(3)

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

- (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 :

$5 \times 6 = 30$

- (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 :

10×2=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.

(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
