

December 2023

B.Com(Honours) - V SEMESTER

Financial Management (BCOMH-502)

Time: 3 Hours

Max. Marks:75

- Instructions:**
1. It is compulsory to answer all the questions (1.5 marks each) of Part -A in short.
  2. Answer any four questions from Part -B in detail.
  3. Different sub-parts of a question are to be attempted adjacent to each other.

**PART -A**

- Q1 (a) Explain the risk-return trade-off. (1.5)
- (b) Explain the concept of wealth maximization in financial decision-making. (1.5)
- (c) Define Annuity. (1.5)
- (d) What is capital rationing? (1.5)
- (e) Define lease financing and highlight its key features in corporate finance. (1.5)
- (f) Explain the certainty equivalent approach in risk management. (1.5)
- (g) Explain the role of operating leverage in a firm's capital structure. (1.5)
- (h) Define safety stock in the context of inventory management. (1.5)
- (i) Define receivable management and its role in working capital. (1.5)
- (j) Explain the impact of efficient cash management on a company's liquidity position. (1.5)

**PART -B**

- Q2 (a) Explain the key functions of a finance manager in an organization and their significance. (10)
- (b) "Time Value of Money is helpful in capital budget." Explain (5)
- Q3 (a) Explain the capital budgeting process and its purpose in financial decision-making. (5)
- (b) Explain various sources of finance for businesses, critically evaluate the advantages and challenges, and discuss the strategic considerations involved in choosing the appropriate mix of internal and external funding. (10)
- Q4 A company has to make a choice between two projects namely A and B. (15)  
The initial capital outlay of two projects are Rs. 1,50,000 and Rs. 1,75,000 respectively for A and B. Discount rate is 12%.  
The annual cash inflows are as under:

Year	Project A (Rs.)	Project B (Rs.)	Discounting factors @ 12%
1	30,000	50,000	0.893
2	30,000	60,000	0.797
3	60,000	90,000	0.712
4	84,000	90,000	0.636
5	84,000	90,000	0.567

Calculate for each project: (I) Net Present Value (II) Profitability index.

- Q5 (a) Examine Walter's theory on dividend policy and its impact on the ongoing debate regarding the relevance of dividend policy, highlighting key arguments and considerations introduced by the theory. (5)
- (b) What is the WACC? Explain the all steps regarding computation of the WACC (10)
- Q6 (a) What is working capital? Explain the methods of estimating working capital requirement. (10)
- (b) What is inventory management? Discuss in detail the objectives of inventory management. (5)
- Q7 Discuss in detail the major theories of capital structure and analyze their implications for financial decision-making in firms. (15)

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