FM/BCAF/BCM-01

2020

(1st Semester)

COMMERCE

(Honours)

Paper No.: BCAF-01/BCM-01

(Financial Management)

Full Marks: 70
Pass Marks: 45%

Time: 3 hours

The figures in the margin indicate full marks for the questions

 (a) Discuss in brief the scope of financial management.

Or

(b) What is capital budgeting? Examine its need and importance. Write about payback period method with a suitable example. 2+6+6=14

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(Turn Over)

(2)

2. (a) What is meant by cost of capital? What are the components of cost of capital? Explain about the cost of retained earnings.
2+6+6=14

Or

- (b) Explain about cost of preference capital. Calculate cost of preference capital— (i) at par, (ii) at a premium of 10% and (iii) at a discount of 5% from the following information: 5+3+3+3=14 A company issues 10000, 10% preference shares of ₹ 100 each. Cost of issue is ₹ 2 per share.
- 3. (a) Define leverage. What do you mean by operating leverage and financial leverage? Explain the limitation of financial leverage. 2+4+4+1

Or

(b) Calculate financial leverage and operating leverage under Situations A and B, and Financial Plans I and II respectively from the following information relating to the operation and capital structure of ABC Ltd.: 7+7=14

Installed capacity 1000 units

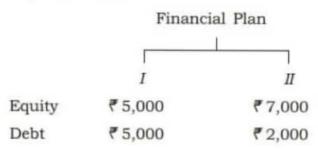
Actual production and sales 800 units

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(Continued)

Selling price per unit 720Variable cost per unit 75Fixed cost: Situation A 800Situation B 75

Capital structure:



- 4. (a) ABC company has currently all equity capital structures consisting of 15000 equity shares of ₹100 each. The management is planning to raise another ₹25 lakhs to finance a major programme of expansion and is considering three alternative methods of financing:
 - (i) To issue 25000 equity share of ₹100 each
 - (ii) To issue 25000, 8% debenture of ₹100 each
 - (iii) To issue 25000, 8% preference shares of ₹100 each

The company's expected earnings before interest and taxes is ₹8,00,000. Assuming a corporate tax rate 50%,

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(Turn Over)

calculate earning per share in each alternative and comment which alternative is best and why. 4+4+4=14

Or

- (b) Explain the various factors which influence the dividend decision of a firm.
- (a) Explain the concept of receivables and inventories. Explain in brief operating cycle or circular flow concept. 5+9=14

Or

- (b) Prepare an estimate of working capital requirements from the following information of a trading concern: 14
 - (i) Projected annual sales—100000 units
 - (ii) Selling price ₹8 p.u.
 - (iii) % of net profit on sales-25%
 - (iv) Average credit period allowed to customers—8 weeks
 - (v) Average credit allowed to suppliers—4 weeks
 - (vi) Average stock holding in terms of sales required—12 weeks
 - (vii) Allow 10% for contingencies

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