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Sr. No. of Question Paper : 402

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Roll No.....

Unique Paper Code : 241171

Name of the Paper : Financial Management

Name of the Course : B.Sc. (H) Mathematics (Credit Course-I)

Semester : I

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **all** questions.
3. **All** questions carry equal marks.

1. Write short notes on any **three** of the following :

- (a) Time value of money
- (b) Operating cycle
- (c) Internal rate of return
- (d) Objective of Financial management
- (e) Stability of Dividend

2. Differentiate any **two** of the following :

- (a) Operating leverage and Financial leverage
- (b) Cash Dividend and Bonus Share
- (c) EBIT and EPS of the firm

P.T.O.

OR

What is the importance of working capital management for a manufacturing firm? Describe the factors that affect the working capital requirement of a firm.

3. A Company required an initial investment of Rs. 80,000. The estimated net cash flows for different years are as follows :

Years	Net Cash Flows (Rs.)
1	9,000
2	12,000
3	20,000
4	22,000
5	35,000
6	38,000

Minimum required rate of return of the firm is 12%. You are required to find out the following :

- (i) Payback period
- (ii) Net Present Value

PVF(12,n) are as follows :

(0.893, 0.797, 0.712, 0.636, 0.567, 0.507)

Should the firm take up the project ?

OR

What are different types of cash flows associated with capital budgeting proposal ? Explain why these are calculated on after tax basis.

4. Following information is available from the balance sheet of XYZ Ltd. :

Equity share capital (F.V. Rs. 100 each)	Rs. 8,00,000
12% Preference share capital	8,00,000
10% Debentures	14,00,000
	30,00,000

The company has just paid a dividend of Rs. 30 per share, which is expected to grow at 5% p.a. forever. The Equity shares are currently traded at Rs. 200 each in the market. Debentures and Preference shares are traded at par. Find out the WACC of the firm using

- (i) Book value weights, and
- (ii) Market value weights.

Tax rate applicable to the firm is 30%.

OR

What are the assumptions and implications of Net Income Approach ? Explain valuation of firm under NI Approach. Is there an optimal capital structure under NI Approach ?

5. Following information is available in respect of ABC Ltd. :

Equity capitalization rate	12%
Rate of Return of the firm	15%
Earning Per Share	Rs. 6

The company has 5,00,000 equity shares of Rs. 10 each. Find out the following cases :

- (a) Dividend Payout Ratio of 20%
- (b) Dividend Payout Ratio of 50%

P.T.O.

- (c) Dividend Payout Ratio of 80%
- (d) Dividend Payout Ratio of 100%

Apply Walter's Model.

OR

“Cash budget is an important technique of cash management.” Explain. Give the format of Cash budget for a period of 6 months for a firm which prepares it on monthly basis. Show important items in the Cash budget.