

(i) Printed Pages: 3

Roll No.

(ii) Questions : 10 Sub. Code :

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Exam. Code :

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**Master of Commerce 2nd Semester
(2055)**

**FINANCIAL MANAGEMENT AND POLICY
(Same for USOL Candidates)**

Paper : M.C. 203

Time Allowed : Three Hours] [Maximum Marks : 80

Note :— (1) Answer any **FIVE** questions in all, selecting at least **ONE** question from each unit.

(2) All questions carry equal marks.

(3) Use of non-programmable calculator is allowed.
Calculators will not be provided by the University.

UNIT—I

1. (a) “Objective of Profit maximization suffers from the limitations of ambiguity, ignores risk and reality of changes in price level.” Give your comments. 8
- (b) “Modern Finance Functions are significantly different from traditional finance functions.” Explain the statement in detail. 8
2. Discuss the concept of financial forecasting. Explain the various tools and techniques available for financial forecasting. 16

3. (a) What do you mean by Time value of Money ? Explain practical applications of Time Value Techniques. 10
- (b) If you deposit Rs. 10,000 today at 12 percent of Interest, how many years will this amount grow to Rs. 80,000 ? Work out this problem by using the Rule of 72. Do not use the Compound Factor Tables. 6

UNIT—II

4. "Net Present Value of Capital Budgeting and Internal Rate of Return methods of Capital Budgeting may give conflicting results under certain situations." Explain this statement with the help of examples. 16
5. (a) What is CAPM approach for calculating the cost of equity ? What is the difference between this approach and the constant growth approach ? 8
- (b) A company issued 105 debentures with a face value of Rs. 100 for Rs. 98. At maturity after 5 years these debentures will be redeemed at Rs. 103 per debenture. You are required to calculate the cost of debt if the rate of taxation is 40 percent. 8

UNIT—III

6. Discuss the following :
- (a) EBIT-EPS Analysis 8
- (b) ROI-ROE Analysis. 8

7. (a) "Use of both financial and operating leverage increases the degree of variation in the earnings of a company." Explain this statement with the help of examples. Also discuss the methods used to calculate operating and financial leverage. 8
- (b) A firm has sales of Rs. 20,00,000 variable cost of Rs. 14,00,000 and the fixed costs of Rs. 4,00,000 and debt of Rs. 10,00,000 at 10% rate of Interest. What is the operating, financial and combined leverage ? If the firm wants to double its Earnings before Interest and Tax (EBIT), how much of a rate in sales would be needed on a percentage basis ? 8
8. "Cost of capital is a U-shaped curve at different levels of Debt-Equity Mix as per Traditional Theory of Capital Structure." Explain this statement with the help of an example. 16

UNIT—IV

9. (a) Define the concept of working capital management. Also explain the various methods of estimating working capital needs. 10
- (b) Explain Baumol Model of maintaining Optimum Cash in Business along with example. 6
10. Critically explain the Walter's and Gordon's model of dividend decisions. 16