(i) Printed Pages : 3 Roll No. ..............................

(ii) Questions : 10 **Sub. Code : 2 6 1 8 1**

**Exam. Code : 0 5 0 2**

**Master of Commerce 2nd Semester**

**(2056)**

# FINANCIAL MANAGEMENT AND POLICY

**(Same for CDOE Candidates)**

**Paper : M.C. 203**

**Time Allowed : Three Hours] [Maximum Marks : 80**

**Note :—** (1) Attempt any **FIVE** questions.

(2) Select at least **ONE** question from each Unit.

(3) All questions carry equal marks (**16** marks each).

## UNIT—I

1. (a) What is meant by the Time Value of Money? Explain its significance in financial decision making. 10

(b) What do you mean by External Funds Requirement? Explain the process of estimation of external funds requirements with the help of any hypothetical example of your choice. 6

2. (a) Discuss the concept of Present Value. How is it different from Future Value? How is the future value of a single cash flow, annuity and sinking fund calculated? 10

(b) An investment company offers to pay Rs. 60,965 at the end of 15 years to investors who deposit annually Rs. 1,000. What interest rate is implicit in the offer? 6

## UNIT—II

3. Explain the meaning and significance of cost of capital. Discuss the methods of calculating cost of debt, cost of preference share capital and cost of equity share capital. 16

4. (a) Assume that the firm pays tax at 50%. Compute the after-tax cost of capital of a preferred share sold at Rs. 100 with a 9% dividend and a redemption price of Rs. 110, if the company redeems it in five years. 10

(b) A company issues 1,000 10% Preference Shares of Rs. 100 each at a discount of 5%. Costs of raising capital are Rs. 2,000. Compute the cost of preference capital. 6

## UNIT—III

5. (a) Discuss EBIT-EPS analysis and its role in comparing financing alternatives. 8

(b) Discuss ROI and ROE analysis as tools of financial performance evaluation. 8

6. What is Operating Leverage? Explain the effect of operating leverage on the risk to shareholders. Also discuss the process of calculation of operating leverage with the help of examples. 16

7. Discuss the concept of Business Risk and Financial Risk and explain their role in capital structure decisions. 16

## UNIT—IV

8. Explain Gordon's Model of Dividend Policy and discuss its relevance in determining the value of a firm. Also compare this approach with Walter's Model with suitable example. 16

9. (a) Explain the concept and importance of Working Capital Management in a business. Discuss the factors determining working capital requirements.

   (b) Explain the motives for holding cash and discuss the various models of cash management. 16

10. Discuss the irrelevance approach of Dividend given by Modigliani and Miller. 16