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5 SEM TDC FIMT (CBCS) C 512

2023

(November)

COMMERCE

(Core)

Paper : C–512

(Financial Management)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. *(a)* Fill in the blanks : 1×4=4

(i) Financial function is the most important of all ____ functions.

(ii) ____ working capital helps in maintaining solvency of the business by providing uninterrupted flow of production.

(iii) Cost of capital is the _____ rate of return expected by an investor.

(iv) The value of the firm can be maximized, if the shareholders' wealth is _____.

(b) Write True or False : 1×4=4

(i) 'Finance' has been rightly termed as universal lubricant which keeps the enterprise dynamic.

(ii) Working capital is also known as revolving or circulating capital.

(iii) Operating Leverage × Composite Leverage = Financial Leverage.

(iv) Payment of dividend at the usual rate is termed as regular dividend.

2. Write short notes on any *four* of the following : 4×4=16

(a) Finance function

(b) Types of working capital

(c) Cost of capital

(d) Financial leverage

(e) Risk-return tradeoff

3. *(a)* "Profit maximization is not the adequate criterion to judge the efficiency of a firm." Explain the statement. What should be the right criterion and why? 6+8=14

Or

(b) Critically analyze the function of a financial manager in a large-scale industrial establishment. What are the responsibilities of a financial manager in a modern business organization? 8+6=14

4. *(a)* What are the benefits of adequate working capital? What are the repercussions if a firm has *(i)* redundant working capital and *(ii)* inadequate working capital? 4+5+5=14

Or

(*b*) From the following information, you are required to estimate the Net Working Capital : 14

Particulars	*Cost per Unit* (₹)
Raw materials	400
Direct labour	150
Overhead (excluding depreciation)	300
Total cost	850

Additional information :

Selling price—₹1,000 per unit

Output—52000 units

Raw materials in stock—average 4 weeks

Work-in-progress (Assume 50% completion stage with full material consumption)—average 2 weeks

Finished goods in stock—average 4 weeks

Credit allowed by suppliers—average 4 weeks

Credit allowed to debtors—average 4 weeks

Cash at bank expected to be ₹50,000

Assume that production is sustained at an even pace during 52 weeks of the year. All sales are on credit basis.

5. (*a*) "Capital budgeting is long-term planning for making and financing proposed capital outlay." Explain. What are the limitations of capital budgeting? 6+8=14

Or

(*b*) A company is considering an investment proposal to purchase a machine costing ₹2,50,000. The machine has a life expectancy of 5 years and no salvage value. The company's tax rate is 40%. The firm uses straight-line method for providing depreciation. The estimated cash flows before tax (CFBT) and after depreciation from the machine are as follows :

Year	*CFBT* (₹)
1	60,000
2	70,000
3	90,000
4	1,00,000
5	1,50,000

Calculate—

(i) Payback period

(ii) Average rate of return

(iii) Net present value

(iv) Profitability index at 10% discount rate

You may use the following table :

Year	1	2	3	4	5
P. V. Factor at 10%	0·909	0·826	0·751	0·683	0·621

3+4+4+3=14

6. *(a)* Explain the various factors which influence the dividend decision of a firm. 14

Or

(b) What do you mean by 'Ploughing Back of Profit'? What are the purposes of ploughing back? Discuss the various factors that influence the ploughing back of profits. 3+3+8=14

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