

Exam. Code : 217602  
Subject Code : 5555

M.Com. 2<sup>nd</sup> Semester (Batch 2021-23)

**FINANCIAL MANAGEMENT**

**Paper : MC-202**

Time Allowed—3 Hours] [Maximum Marks—100

**Note :—** Attempt **FIVE** questions in all, selecting at least **ONE** question from each section. The fifth question may be attempted from any section. All questions carry equal marks.

**SECTION—A**

1. (A) What are the different finance functions towards which a financial manager works ?  
(B) Discuss the important theories of capitalisation.
2. What are the factors which influence the capital structure of a firm ? Compare and contrast the Net Operating Income and Net Income Approach to capital structure.

**SECTION—B**

3. The capital budgeting department of a company has suggested 3 investment proposals. The after-tax cash flows for each are tabulated below. If the cost of capital is 12 per cent, rank them on the basis of the profitability index.

After-tax cash flows

Year	PV factor @ 12%	Project A (Rs.)	Project B (Rs.)	Project C (Rs.)
0	1	20,000	60,000	36,000
1	0.893	5,600	12,000	13,000
2	0.797	6,000	20,000	13,000
3	0.712	8,000	24,000	13,000
4	0.636	8,000	32,000	13,000

4. What are the relevance and irrelevance theories of dividend? What do they advocate in context of dividend payments?

**SECTION—C**

5. Ashirwad company has sales of Rs. 25,00,000. Variable cost of Rs. 12,50,000 and fixed cost of Rs. 50,000 and debt of Rs. 12,50,000 at 8% rate of interest. Calculate combined leverage.
6. How does working capital contribute to the effectiveness of an organisation? What are the different types of working capital and the approaches to funding working capital needs of a firm?

**SECTION—D**

7. Critically analyse the different cash management models.
8. Why do firms grant credit? What are the considerations to be borne in mind while taking a decision of granting credit?