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State the various aspects which in practice guide the dividend policy of the companies. (CO4 : To differentiate the dividend policies of a company)

5. (a) Define the concept of working capital. Discuss the various sources of short-term finance. (CO5 : To understand the concept working capital.)
- (b) Write a short note on each management and receivables management. (CO5 : To understand the concept working capital.)
- (c) Write short notes on the following :
- (i) Input-output ratio
  - (ii) Stock turnover ratio
- (CO5 : To understand the concept working capital.)

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**B. COM. (H) (FIFTH SEMESTER)**  
**END SEMESTER EXAMINATION, 2021-22**  
**FUNDAMENTALS OF FINANCIAL**  
**MANAGEMENT**

**Time : Three Hours**

**Maximum Marks : 100**

**Note : (i) All questions are compulsory.**

- (ii) Answer any *two* sub-questions among (a), (b) and (c) in each main question.
- (iii) Total marks in each main question are twenty.
- (iv) Each question carries 10 marks.

1. (a) "Financial Management is nothing but managerial decision-making on asset mix, capital mix and profit allocation." Explain. (CO1 : To understand the basics of Financial Management.)

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(b) Explain the relevance of time value of money in financing and investment decisions. (CO1 : To understand the basics of Financial Management)

(c) Mr. Y is depositing ₹ 8,000 annually for 4 years, in a post office saving bank account at an interest of 5% p. a. Find the present value of annuity. (CO1 : To understand the basics of Financial Management)

2. (a) A choice is to be made between the two competing proposals which require an equal investment of ₹ 50,000 and are expected to generate net cash flows as under :

Years	Project A (₹)	Project B (₹)
1	25,000	10,000
2	15,000	12,000
3	10,000	18,000
4	Nil	25,000
5	12,000	8,000
6	6,000	4,000

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Cost of capital of the company is 10%.  
The following are the present value factor at 10% p.a. :

Year	P. V. factor @ 10%
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621
6	0.564

Which proposal should be selected using NPV method ? Suggest the best project.

(CO2 : To be able to calculate)

(b) A company is considering an investment proposal to install a new machine. The project will cost ₹ 50,000 and will have life and no salvage value. Tax rate is 50 percent, the company follows straight-line method of depreciation. The net income before depreciation and tax is as follows :

(CO2 : To be able to calculate)

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Year	NIBDT (₹)
1	10,000
2	11,000
3	14,000
4	15,000
5	25,000

Evaluate the project using :

- (i) PBP
- (ii) ARR
- (iii) NPV

(c) What is Capital Budgeting ? Describe the steps in capital budgeting. (CO2 : To be able to calculate)

3. (a) Roshni Industries Ltd. has raised funds through issue of 10,000 debentures of ₹ 150 each at a discount of ₹ 10 per debenture with 10 years maturity. The coupon rate is 16%. The floatation cost is ₹ 5 per debenture. The debentures are redeemable with a 10% premium. The corporate taxation rate is 40%. Calculate the cost of debentures.

(CO3 : To determine the cost)

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(b) What is optimum capital structure ? Critically examine the Net Income and Net Operating Income approaches to capital structure. What is the traditional view on the same ? (CO3 : To determine the cost)

(c) Nath Steels Ltd. has issued 30000 irredeemable 14% debentures of ₹ 150 each. The cost of floatation of debentures is 5% of the total issued amount. The company's taxation rate is 40%. Calculate the cost of debt.

(CO3 : To determine the cost)

4. (a) What do you mean by Dividend Policy ? Explain the different types of dividend policies. (CO4 : To differentiate the dividend policies of a company)

(b) Why is dividend policy important for a company ? Also discuss the various determinants of dividend policy, in a company. (CO4 : To differentiate the dividend policies of a company)

(c) What is the theory of dividend irrelevancy advocated by Modigliani and Miller ?