



WEST BENGAL STATE UNIVERSITY

B.Com. Honours Part-III Examination, 2020

FINANCIAL MANAGEMENT

PAPER-FMNA-VII

Time Allotted: 2 Hours

Full Marks: 50

*The figures in the margin indicate full marks.
Candidates should answer in their own words
and adhere to the word limit as practicable.*

*প্রান্তিক সীমার মধ্যস্থ সংখ্যাটি পূর্ণমান নির্দেশ করে।
পরীক্ষার্থীরা নিজের ভাষায় যথা সম্ভব শব্দসীমার মধ্যে
উত্তর করিবে।*

Answer any two questions from the following

15×2=30

নিম্নলিখিত যে-কোনো দুটি প্রশ্নের উত্তর দাও

1. (a) A firm has the following capital structure:

10+5

	<u>₹ (in lakh)</u>
Equity Share Capital (10 lakh shares)	100
Retained Earnings	130
14% Debentures (70000 Debentures)	70
16% Term Loan	100
	<hr/>
	400

The market price per equity share is ₹25. The next year's expected dividend per share is ₹2 and is expected to grow at 8%. The debentures are redeemable after six years at par and the current market quotation is ₹90 per debenture. The tax rate applicable to the firm is 30%.

You are required to compute weighted average Cost of Capital of the firm using market value as weights.

(b) A Ltd. issued 10,000 12% Preference shares of ₹100 each at a premium of 10%. The floatation cost was 5% on issue price. The preference shares would be redeemed at a premium of 20% after five years. The tax rate applicable to the company is 30%. Compute cost of preference shares of A Ltd.

2. Evaluate the following as sources of finance:

5+5+5

অর্থের নিম্নলিখিত উৎসগুলির মূল্যায়ন করোঃ

(i) Equity Share Capital

ইকুইটি মূলধন

(ii) Preference Share Capital

প্রেফারেন্স মূলধন

(iii) Lease.

ইজারা।

3. (a) D Co. Ltd. is planning an expansion programme. It requires ₹20 lakhs of external finance for which it is considering two alternatives. Alternative 1 calls for issuing 15,000 Equity Shares of ₹100 each and 5,000 10% Preference Shares of ₹100 each. The 2nd alternative requires issuing 10,000, equity share of ₹100 each, 2,000, 10% Preference Shares of ₹100 each and ₹8,00,000 Debentures carrying 9% interest. The company is in the tax bracket of 30%. You are required to calculate the indifference point for the plans and verify your answer by calculating the EPS. 12+3
- (b) What do you mean by financial leverage?
আর্থিক লিভারেজ বলতে কি বোঝো ?
4. (a) Explain the concept of 'Optimum Capital Structure'. 5+10
সর্বোত্তম মূলধন কাঠামোর ধারণাটি ব্যাখ্যা করো।
- (b) The following details of B Ltd. for the year ended 31.03.2019 are furnished:
- | | | |
|--------------------------------------|---|------------|
| Operating Leverage | : | 3:1 |
| Financial Leverage | : | 2:1 |
| Interest charges p.a. | : | ₹20,00,000 |
| Corporate tax rate | : | 30% |
| Variable cost as percentage of sales | : | 60% |
- Prepare the income statement of the company.
5. From the following information, prepare a statement showing the estimated working capital requirement: 15
- (a) Projected Annual Sales- 36,000 units
- (b) Analysis of Sales: Per Unit (₹)
- | | |
|---------------|-------|
| Raw-materials | 6 |
| Labour | 4 |
| Overhead | 3 |
| Profit | 2 |
| | <hr/> |
| | 15 |
- (c) Additional information:
- (i) Raw materials in stock 1 Month
- (ii) Production process 2 Months
- (iii) Finished goods in store 3 Months
- (iv) Credit allowed to debtors 4 Months
- (v) Credit allowed by suppliers 2 Months
- (vi) Monthly wages and expenses are paid twice on 1st and 16th of each month.
- (vii) Production is carried on evenly during the year and wages and expenses accrue similarly.
- (viii) Cash is to be kept at 10% of net working capital.
6. (a) What do you mean by working capital cycle? 3+6+6
কার্যকরী মূলধনের আবর্ত বলতে কী বোঝো ?

(b) Discuss the factors on which the duration of the cycle period depends.

কোন কোন বিষয়ের উপর এই আবর্তকাল নির্ভর করে তা বর্ণনা করো।

(c) Explain the importance of the cycle in working capital management.

কার্যকরী মূলধনের পরিচালনায় এই আবর্তের গুরুত্ব ব্যাখ্যা করো।

Answer any *one* question from the following

20×1=20

নিম্নলিখিত যে-কোনো একটি প্রশ্নের উত্তর দাও

7. A company has to select one from the following two alternative projects whose particulars are given below:

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	Initial Outlay (₹)	Net Cash inflows (₹)			
		Year (1)	Year (2)	Year (3)	Year (4)
Project I	11,872	10,000	2,000	1,000	1,000
Project II	10,067	1,000	1,000	2,000	10,000

The cost of capital of the company is 10%. Compute the NPV and IRR of each project and comment on the result.

8. (a) From the following details relating to a project, calculate its discounted payback (7+3)+5+5 period assuming cost of capital is 11%.

Initial Investments ₹2,50,000

Net after tax cash inflows:

Year 1	30,000
2	80,000
3	1,50,000
4	1,00,000
5	50,000

Also calculate the profitability index of the project.

(b) Evaluate payback period method as a method of project evaluation.

প্রকল্প মূল্যায়নের পদ্ধতি হিসাবে payback period পদ্ধতিটির মূল্যায়ন করো।

(c) Write a short note on 'Capital Rationing'.

মূলধন রেশনিং-এর উপর একটি সংক্ষিপ্ত টীকা লেখো।

9. Discuss the effects of any five important determinants of dividend policy.

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লভ্যাংশ নীতির যে-কোনো পাঁচটি গুরুত্বপূর্ণ নির্ধারকের প্রভাব আলোচনা করো।

10.(a) Describe the Gordon's Model on dividend policy with its assumptions.

8+12

অনুমানসহ লভ্যাংশ নীতির ক্ষেত্রে গর্ডনের মডেলটি বর্ণনা করো।

- (b) A company has 1,00,000 equity shares of ₹10 each. The company expects its earnings at ₹6,00,000 during the next financial year and its cost of capital is 10%. Using Walter's model, what dividend policy would you recommend when the rate of return on investment is estimated at (i) 8% and (ii) 12%?

What will be the price per equity share if your recommendation is accepted?

- 11.(a) Describe the steps of financial control. 10
আর্থিক নিয়ন্ত্রণের ধাপগুলি বর্ণনা করো।
- (b) What do you mean by 'Return on Investment' and show how is it computed? 3
'বিনিয়োগের ওপর প্রতিদান' বলতে কি বোঝো এবং তা কিভাবে নিরূপিত হয় দেখাও।
- (c) Discuss its importance in financial control. 7
আর্থিক নিয়ন্ত্রণের ক্ষেত্রে ইহার গুরুত্ব আলোচনা করো।
- 12.(a) Briefly explain the functions of financial management. 6
আর্থিক ব্যবস্থাপনার কার্যাবলি সংক্ষেপে আলোচনা করো।
- (b) Explain the concept of time value of money with example. 4
উদাহরণসহ অর্থের সময়মূল্যের ধারণাটি ব্যাখ্যা করো।
- (c) Mr. Saha is offered to receive ₹5,000 three years from now or ₹7,000 five years from now. Which one will Mr. Saha accept? Assume that the rate of interest is 10%. 5
- (d) Discuss the relationship between risk and return. 5
ঝুঁকি ও প্রতিদানের মধ্যে সম্পর্ক আলোচনা করো।

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