

(i) Printed Pages : 2

Roll No. ....

(ii) Questions : 10

Sub. Code : 

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Exam. Code : 

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Master of Commerce 2<sup>nd</sup> Semester

(2053)

**FINANCIAL MANAGEMENT AND POLICY**

(Same for USOL Candidates)

Paper– MC–203

Time Allowed : Three Hours]

[Maximum Marks : 80

**Note :—** Attempt any *five* questions, selecting at least *one* question from each Unit, each carries 16 marks.

**UNIT–I**

1. Briefly explain the three key activities of a financial manager. Discuss objectives of financial management.
2. What is annuity ? Explain how can future value of an annuity be determined.
3. Explain the various long term financial sources. Which source of finance should be preferred with equity and why ?

**UNIT–II**

4. What is the criterion for judging the worth of investments in the capital budgeting technique based on the profitability index ? What is its value, when its NPV is (a) Zero, (b) Negative and (c) Positive ? Also indicate the relationship between IRR and cost of capital in these situations.

5. What is the relevance of cost of capital in capital budgeting and capital structure planning decisions ?
6. Solve the following :
  - (A) Cost of equity of company is 20%. Rate of floatation cost is 5%. Rate of personal income tax is 30%. Calculate cost of retained earnings.
  - (B) How to calculate cost of preference shares ? Explain with suitable example.

### **UNIT-III**

7. Discuss in detail factors determining capital structure. How MM theory is better than Net Operating Income approach ?
8. Discuss various types of risk associated with business. Which kind of the risk can be controlled and how ?

### **UNIT-IV**

9. Discuss in detail MM model of dividend. How MM Model differs with Gordon model of dividend ?
10. How are net working capital, liquidity, technical insolvency and risk related ?