

(i) Printed Pages : 3

Roll No.

(ii) Questions : 10

Sub. Code :

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Exam. Code :

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Master of Commerce 2nd Semester
(2042)

FINANCIAL MANAGEMENT AND POLICY

(Same for USOL Candidates)

Paper—MC-203

Time Allowed : Three Hours]

[Maximum Marks : 80

Note :— Attempt **FIVE** questions selecting at least *one* question from each unit. All questions carry equal marks.

UNIT—I

1. (a) An Investment scheme is generating returns of Rs. 65,000 per year for first two years, from third year returns will grow at 5 percent for three years and thereafter returns will grow at 4 percent per annum forever. Discount rate is 10 percent. You are required to calculate the present value of returns.
(b) "Objective of Profit maximisation suffers from the limitations of ambiguity, ignores risk and the reality of changes in price level". Give your comments. 10+6
2. "Modern Finance Functions are significantly different from traditional finance functions". Explain this statement in detail. 16

UNIT—II

3. "Net Present Value of Capital Budgeting and Internal Rate of Return Methods of Capital Budgeting may give conflicting results under certain situations". Explain this statement with the help of examples. 16
4. (a) "Retained Earnings is free of cost source of capital". Give your comments alongwith complete justification.
- (b) A company issued 10% debentures with a face value of Rs. 100 for Rs. 98. At maturity after 5 years these debentures will be redeemed at Rs.103 per debenture. You are required to calculate the cost of debt if the rate of taxation is 40 percent. 6+10

UNIT—III

5. "Cost of Capital is a U-shaped curve at different levels of Debt-Equity mix as per Traditional Theory of Capital Structure." Explain this statement with the help of an example. 16
6. "Use of both financial and operating leverage increases the degree of variation in the earnings of a company". Explain this statement with the help of example/s. Also discuss the methods used to calculate operating and financial leverage. 16
7. Discuss the EBIT-EPS analysis approach of estimating the target capital structure. 16

UNIT—IV

8. Critically evaluate Walter's Model on Dividend Decisions. 16
9. "A significant amount remains invested in the Trade Receivables of many businesses and therefore receivables portfolio needs to be efficiently managed". In the light of above statement, discuss the problems associated with receivables management and the strategy needed to be followed for receivables management. 16
10. Discuss the procedure followed for estimation of working capital requirement in a business with the help of any suitable example of your choice. 16