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**3 SEM MCOM (CBCS) FM 300**

**2024**

**(December)**

**COMMERCE**

**Paper : 30300**

**(Financial Management)**

**Full Marks : 60**

**Time : Three hours**

***The figures in the margin indicate full marks for the questions.***

1. (a) "From the point of view of a corporate unit, Financial Management is related not only to fund raising but encompasses the wider perspective of managing the finances for the company." Elucidate the statement. 15

**Or**

- (b) Briefly explain the concept of Present Value and Future Value. State the significance of present value and future value in the financial decision-making. 6+9=15

**Contd.**



2. (a) Distinguish between systematic and unsystematic risk with appropriate examples. 15

Or

- (b) Write short notes on the following:

$$7\frac{1}{2} + 7\frac{1}{2} = 15$$

- (i) Markowitz Efficient Frontier  
(ii) CAPM

3. (a) A Ltd. company is considering investing in a project requiring a capital outlay of Rs. 2,00,000. Forecast for annual income after depreciation but before tax is as follows:

Year	Rs.
1	1,00,000
2	1,00,000
3	80,000
4	80,000
5	40,000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income.



You are required to evaluate the project according to each of the following methods :

15

(i) Payback Method

(ii) Discounted cash flow method taking cost of capital at 10%

**Or**

(b) (i) Explain the significance of cost of capital in the financial decision-making.

9

(ii) A company offers for public subscription equity shares of Rs.10 each at a premium of 10%. The company pays 5% of the issue price as underwriting commission. The rate of dividend expected by the equity shareholders is 20%.

You are required to calculate the cost of equity capital.

Will the cost of capital be different, if it is to be calculated on the present market value of the equity shares, which is Rs.15? 6



4. (a) (i) Critically examine the Net Income Approach of capital structure. 9

(ii) X Ltd. is expecting an annual EBIT of Rs. 1,00,000. The company has Rs. 4,00,000 in 10% debentures. The cost of equity capital is 12.5%. You are required to calculate the total value of the firm as per Net Income Approach. 6

Or

(b) (i) Briefly explain the relationship between  $r$  and  $k$  as per Walter's Approach of dividend policy. 9

(ii) S & Co. earns Rs.6 per share having capitalisation rate of 10% and has a return on investment at the rate of 20%. According to Walter's model, what should be the price per share at 30% dividend payout ratio? Is this the optimum payout ratio as per Walter's model? 6

(b) Briefly explain the concept of Present Value and Future Value. State the significance of present value and future value in the financial decision-making.



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***The figures in the margin indicate full marks for the questions.***

1. (a) "Financial management is managerial decision-making on asset mix, capital mix and profit allocation." Elucidate the statement with appropriate examples. 15

**Or**

- (b) Briefly explain the concept and relevance of time value of money in financial decision-making.
2. (a) (i) Explain Markowitz efficient frontier with examples. 8

*Contd.*



(iii) The WACC if in (ii) above, growth rate increases to 10%.

4. (a) Briefly explain the determinants of capital structure of a firm. 15

Or

- (b) Following are the details regarding three companies :

A Ltd.	B Ltd.	C Ltd.
M = 15%	M = 10%	M = 8%
K = 10%	K = 10%	K = 10%
E = Rs.10	E = Rs.10	E = Rs. 10

You are required to calculate the effect of dividend payment on the profits of each of the above companies under the following different situations as per Walter's formula :

- When dividend is paid at Rs. 4 per share
- When dividend is paid at Rs. 8 per share
- When dividend is paid at Rs. 10 per share



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**3 SEM MCOM (CBCS) FM 300**

**2022**

(December)

**COMMERCE**

Paper : 30300

**(Financial Management)**

Full Marks : 60

Time : Three hours

***The figures in the margin indicate full marks for the questions.***

1. (a) Discuss briefly different functional areas of financial management. 15

**Or**

- (b) How the wealth maximisation objective is superior to the profit maximisation objective ? Explain.

*Contd.*



2. (a) "Recession in the economy affects the profit prospect of the industry and the stock market." Elucidate the statement in the light of the risk involved in it with suitable examples. 15

**Or**

- (b) What are the basic assumptions of CAPM ? Explain the CAPM with appropriate example. 6+9=15

3. (a) Discuss the methods of evaluation of capital budgeting proposals with appropriate illustrations. 15

**Or**

- (b) (i) "Cost of capital is used as a decision criterion." Elucidate the statement in the light of the usefulness of cost of capital. 10

- (ii) The current market price of an equity share of a company is Rs. 90. The current dividend per share is Rs. 4.50. In case the dividend are expected to grow at the rate at 7%. Calculate the cost of equity capital. 5



- (a) What do you understand by capital structure ? State the factors which influence the capital structure of a firm.

5+10=15

**Or**

- (b) Following are the details regarding three companies A Ltd., B Ltd. and C Ltd.

**A Ltd.**

**B Ltd.**

**C Ltd.**

$$r = 15\%$$

$$r = 5\%$$

$$r = 10\%$$

$$k_e = 10\%$$

$$k_e = 10\%$$

$$k_e = 10\%$$

$$E = \text{Rs.}8$$

$$E = \text{Rs.}8$$

$$E = \text{Rs.}8$$

Calculate the value of an equity share of each of these companies applying Walter's formula when D/P Ratio is

(a) 50%

(b) 75%

(c) 25%

What conclusions do you draw ? 15



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**3 SEM PG (CBCS) FM 300**

**2021**

( held in February/March, 2022 )

**COMMERCE**

Paper : 30300

**( Financial Management )**

Full Marks : 60

Time : Three hours

***The figures in the margin indicate full marks for the questions.***

1. (a) "The operative objective of financial management is to maximise wealth of the firm." Discuss. 15

Contd.



**Or**

- (b) (i) "Generally individuals show a time preference for money." Explain this statement with example. 7

- (ii) Explain the meaning of present value and also state the significance of calculating the present value in financial decision making. 2+6=8

2. (a) Discuss the Markowitz theory of portfolio. 15

**Or**

- (b) (i) Distinguishing between systematic and unsystematic risk with suitable example. 8

- (ii) Briefly explain the statistical tools used to measure the risk of the securities return. 7



3. (a) XYZ Ltd. is considering investment in a project requiring a capital outlay of Rs. 2,00,000. Forecast for annual income after depreciation but before tax is as follows :

Year	Rs.
1	1,00,000
2	1,00,000
3	80,000
4	80,000
5	40,000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income.

You are required to evaluate the project according to each of the following methods : 5+5+5=15

- (a) Payback method
- (b) Rate of return on original investment method
- (c) Net present value method  
(Cost of Capital 10%)



Or

- (b) (i) A limited company has the following capital structure :
- |                      |           |
|----------------------|-----------|
| Equity share capital | 40,00,000 |
| (2,00,000 shares)    |           |
| 6% Preference shares | 10,00,000 |
| 8% Debentures        | 30,00,000 |
|                      | 80,00,000 |

The market price of the company's equity share is Rs. 20. It is expected that company will pay a current dividend at Rs. 2 per share which will grow at 7% forever. The tax rate may be presumed at 50%. You are required to compute the following : 10

- (a) A weighted average cost of capital based on existing capital structure.
- (b) The new weighted average cost of capital if the company raises an additional Rs. 20,00,000 debt by issuing 10% debentures. This would result in increasing the expected dividend to Rs. 3 and leave the growth rate unchanged but the price of share will fall to Rs. 15 per share.



- (ii) Explain the concept of cost of capital as a device for establishing a cut off point of capital investment proposal. 5

- (a) Critically examine the net income and net operating income approaches to capital structure. 15

**Or**

- (b) (i) "There is nothing like an optimal capital structure for a firm." Critically evaluate this statement. 9

- (ii) Explain the relevance of dividend policy of a firm. 6



**M.Com 3<sup>rd</sup> Semester Examination 2020 (held in June, 2021)**

**Course Title: Financial Management**

**Course Number: 30300**

**Nature of the Course: (Core)**

**Full Marks: 30**

**Time: One and Half Hour**

**Mode of Examination: Online (Open Book Examination)**

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**Instruction to the candidate:** For answering Question no 1 (a), (b), (d) and (e) words limit is 150 and for Question no 2 word limit is 300

**Questions:**

**1. Answer any four (4) of the following :**

**(4x5=20)**

- a. Briefly explain the concept of Time Value of Money with suitable example.
- b. Write a brief note on one technique of measurement of risk.
- c. Calculate the **pay back period** from the following information:

Particulars	Machine M
Estimated life of Machine	4 years
Cost of Machine	Rs.9000
Estimated savings in scrap	Rs.500
Estimated savings in direct wages	Rs.6000
Additional Cost of Maintenance	Rs.800
Additional cost of Supervision	Rs.1200

d. Briefly explain how the weighted Average Cost of Capital of a firm is calculated?

e. Briefly explain the assumptions of Net Operating Income Approach of Capital Structure.