Roll No. ....

Subject Code—8135

M. Com. (Second Year) EXAMINATION

(Main/Re-appear Batch 2009 Onwards)

MC-204

FINANCIAL MANAGEMENT

Time : 3 *Hours* *Maximum Marks* : 70

Section A

Note : Attempt any *Seven* questions. 7×5=35

1. What is the role of Finance Manager ?

2. What do you understand by Securitization ?

3. Describe the opportunities of Financial Management.

4. Explain the features of Hire-purchase.

5. What are the advantages of preparing Cash Budget ?

6. Discuss the limitations of Zero Base Budgeting.

7. Explain the limitations of Funds Flow Statement.

8. What is the significance of stability of dividend ?

9. What are the costs associated with change in a Credit Policy ?

10. Define Reverse Merger.

Section B

Note : Attempt all the questions.

11. Assuming wealth maximization to be the objective of the Financial, Management, show how the financing investment and dividend decisions of a company can help to attain this objective.

Or

Examine the process of evaluating leasing from the lessor's and the lessee's perspectives. 12

12. "The projects with unequal lives need not be evaluated on the basis of NPV." Why ? What procedure would you suggest ?

Or

Explain how working capital management policies affect the profitability liquidity for the firm. **12**

13. The following is the capital structure of Simons Company Ltd. as on 31-03-2006 :

	Rs.
Equity Shares : 10,000 shares	
(of Rs. 100 each)	10,00,000
10% Preference shares	
(of Rs. 100 each)	4,00,000
12% Debentures	6,00,000
	20,00,000

The market price of the company's share is Rs. 110 and it is expected that a dividend of Rs. 10 per share would be declared for the year 2005-06. The dividend growth rate is 6%.

(i) If the company is in the 50% tax bracket, compute the weighted average cost of capital.

(ii) Assuming that in order to finance an expansion plan, the company intends to borrow a fund of Rs. 10 lakh bearing 14% rate of interest, what will be the company's revised weighted average cost of capital ? This financing decision is expected to increase dividend from Rs. 10 to Rs. 12 per share. However, the market price of equity share is expected to decline from Rs. 110 to Rs. 105 per share. **11**

Or

ABC Ltd. has the following capital structure :

	(Rs. lakhs)
Ordinary shares : 10 lakh Nos.	
@ Rs. 10 each	100

Reserves and Surplus	40
10% debentures each of face value Rs. 100	60
	200

The company needs Rs. 50 lakhs to execute a new project which will raise its operating profit (EBIT) from the current level of Rs. 40 lakhs to Rs. 55 lakhs. It is considering the following options :

(i) Issue equity shares at a premium of Rs. 15 each for the entire amount.

(ii) Issue 12% debentures for Rs. 50 lakhs required additionally.

(iii) Issue equity shares for Rs. 25 lakhs at a premium of Rs. 20 per share and issue 12% debentures for the balance amount.

The company's tax rate is 40%. Evaluate the three options and advise the company. 11