Unit-IV

8. Discuss in detail the following aspects of receivable management : 10
   (a) Credit Policy
   (b) Credit Evaluation
   (c) Credit Control

9. The following information is provided by a Company : 10

Rate of Return on Investment	-	12%
EPS	-	Rs. 20
Cost of Equity	-	8%

Find out the market price of the shared using the Gordon's Model if the Company follows a payout ratio of (i) 50% (ii) 20%.

A (Printed Pages 4)

Roll No. ____________

MS-3214

B.M.S. (Semester-IV) Examination, 2015

Financial Management

(BMS-406)

Time Allowed : Three Hours] ***[Maximum Marks : 70***

Note : Answer five questions in all, including Question No.1, which is compulsory and carries 30 marks. Attempt one question from each unit carrying 10 marks each.

1. Write short notes on the following : 3×10=30
   (a) Profit Maximization as objective of financial manager
   (b) Functions of Chief Controller Officer
   (c) Assumptions of Walter Model of dividend policy
   (d) Factors affecting Working Capital.
   (e) Objective of Lock Box System.
   (f) Merits of Time Value of Money.
   (g) Optimum Capital structure

(h) ABC analysis

(i) Concept of Leverage

(j) "Finance is the life blood of Industry". Comment.

Unit - I

2. Explain financial planning with long-term and short-term perspective. Discuss the various steps in financial planning. 10

3. What do you understand by financial management? Discuss the functions of the finance manager of a large organisation. 10

Unit - II

4. Define Cost of Capital. How will you determine the Cost of Capital from different sources? 10

5. The share capital of a Company is Rs. 10,00,000 with shares of face value of Rs.10. The Company has debt capital of Rs. 6,00,000 at 10% rate of interest. The sales of the firm are 3,00,000 units per annum at a selling price of Rs. 5 per unit and the variable cost is Rs. 3/unit. The fixed cost amount to Rs. 2,00,000. The Company Pays tax at 35%. If the sales increases by 10%. Calculate.

(a) Percentage increase in EPS

(b) DOL at the two levels

(c) DFL at the two levels 10

Unit - III

6. A machine with a useful life of 5 years is to be acquired at a total cost of Rs. 3,00,000. The Cash in flow for 5 years is distributed as follows : 10

Year	1	2	3	4	5
Cash Flow (Rs.)	1,10,000	1,00,000	80,000	60,000	50,000

Given : K = 10% and PVF at 10%, 12% & 13% are :

Year	PVF (10%)	PVF(12%)	PVF (13%)
1	0.909	0.893	0.885
2	0.826	0.797	0.783
3	0.751	0.712	0.693
4	0.683	0.636	0.613
5	0.621	0.567	0.543

Calculate NPV, PI and IRR.

7. What do you understand by Capital budgeting? Explain Modified NPV and ARR alongwith their merits & demerits. 10