

SUB: FINANCIAL MANAGEMENT Sub. Code: 20702

Question 1(A) What is the capital budgeting. Explain the traditional technique and discounted cash flow technique of capital budgeting with merits and demerits in detail.
(18 Marks)

(Or)

Question 1(A) (i) What is financial management? Explain long term sources of finance.
(9 Marks)

Question 1(A) (ii) New Ltd. wants to expand its business and so it is willing to invest Rs 10,00,000.

The investment is said to bring a cash inflow of Rs. 1,00,000 in first year, Rs. 2,50,000 in the second year, Rs. 3,50,000 in third year, Rs. 2,65,000 in fourth year and Rs. 4,15,000 in fifth year. Assuming the discount rate to be 9%. Calculate NPV and Profitability index of the investment.
(9 Marks)

Question 2(A) Explain the concept of leverage. Explain financial leverage and operating leverage with hypothetical example in detail. "Does financial leverage always increase the earning per share?" Explain your answer.
(18 Marks)

(or)

Question 2(A) (i) Mira company has the following capital structure on 31 Dec, 2020.

Particular	Amount Rs. (‘000)
Ordinary shares (2,00,000 shares)	4000
10% preference share	1000
14% debentures	3000
Total	8000

The share of company sells for Rs. 20. It is expected that company will pay next year dividend of Rs. 2 per share, which will grow at 7% forever. Assume a 50% tax rate. You are required to calculate weighted average cost of capital based on existing capital structure.
(9 Marks)

Question 2(A) (ii) What is the capital structure? Explain the net income approach, net operating approach and traditional approach of capital structure.
(9 Marks)

Question 3(A)What is the dividend? Explain the determinants of dividend policy in detail. Also explain forms of dividend. **(17 Marks)**

(Or)

Question 3(A) (i)What is the working capital. Explain the concept of working capital. **(9 Marks)**

Question 3(A) (ii) What is Miller – Modigliani’s dividend irrelevance hypothesis? Critically evaluate its assumption. **(8 Marks)**

Question 4(A)Briefly explain the determinants of working capital in detail. Also explain sources of working capital financing. **(17Marks)**

(Or)

Question 4(A) (i)What is the cash management?Explain the techniques of cash management. **(9 Marks)**

Question 4(A) (ii)What is the inventory management. Explain ABC system of inventory management. **(8 Marks)**

નોંધ:

- પ્રશ્નપત્રનો સમય ૧.૩૦ કલાકનો રહેશે.
 - પ્રશ્નપત્રમાં ૪ પ્રશ્નોમાંથી કોઈ પણ ત્રણ પ્રશ્નોના જવાબ આપવાનો રહેશે.
 - દરેક પ્રશ્નના ગુણ એકસરખા (૧૪ માર્ક્સના) રહેશે. પ્રશ્નપત્ર કુલ ૪૨ માર્ક્સનું રહેશે.
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