

Enrollment No: \_\_\_\_\_ Exam Seat No: \_\_\_\_\_

# C.U.SHAH UNIVERSITY

## Summer Examination-2016

Subject Name : Financial Management

Subject Code : 5MC04FMA1

Branch: M.Com(English)

Semester : 4

Date : 05/05/2016

Time : 02:30 To 05:30

Marks : 70

### Instructions:

- (1) Use of Programmable calculator and any other electronic instrument is prohibited.
  - (2) Instructions written on main answer book are strictly to be obeyed.
  - (3) Draw neat diagrams and figures (if necessary) at right places.
  - (4) Assume suitable data if needed.
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### SECTION – I

**Q-1 Attempt the Following questions (07)**

- a. What are the important functions of Financial Management?
- b. Which budgeting technique does not consider time value of money?
- c. What is a Pay-out ratio?
- d. Give the formula of Financial Leverage
- e. Who has given Irrelevance theory of dividend?
- f. What is Cost of capital?
- g. In which securities the risk element is “zero”?

**Q-2 Attempt all questions (14)**  
Explain the scope and objectives of financial management.

**OR**

**Q-2 Attempt all questions (14)**  
(a) Explain the significance of cost of capital.  
(b) Discuss in detail the different forms of dividend.

**Q-3 Attempt all questions (14)**  
F Explain the following methods of ascertaining the profitability of a capital expenditure project.  
(a) Pay-back Period (b) Net Present Value

**OR**



Q-3

Following is the balance-sheet of M/s.XYZ Ltd.

(14)

<u>Liabilities</u>	<u>Rs.</u>	<u>Assets</u>	<u>Rs.</u>
20,000 Equity shares of Rs.10 each	2,00,000	Fixed Assets	5,00,000
12% debentures	2,00,000	Current Assets	1,00,000
Reserves	1,00,000		
Current Liabilities	1,00,000		
	6,00,000		6,00,000

During the year the sales is Rs.10,00,000, fixed expenses are Rs.2,00,000 while variable expenses are 50% of sales. Taxes are 50%.

From the above information find Financial leverage, Operating leverage and Combined leverage.

## SECTION – II

Q-4

Attempt the Following questions

(07)

- What is the other name for Profitability Index?
- Give the equation of Gordon Model to obtain the value of share.
- Give the meaning of the Stability of Dividend.
- State the elements of Financial Management.
- Which items are included in Capital Structure?
- What do you mean by Operating Leverage?
- Define Capital Budgeting

Q-5

Attempt all questions

(14)

What do you mean by Capital Structure? Explain Traditional and M-M approach of it.

OR

Q-5

- Explain Walter's model of Dividend Policy with assumptions.
- Write a note on Capital Rationing.

Q-6

Attempt all questions

(14)

- Discuss the CAPM approach of computing the Cost of Capital.
- Explain the concept of Financial Leverage and explain with illustration the favorable impact of it.



OR

Q-6

**Attempt all Questions**

(14)

A company has on its books the following amount and cost of each type of capital.

Types of Capital	Book Value	Market Value	Specific Cost
Preference Share Capital	2,00,000	2,20,000	9%
Debenture	5,00,000	4,50,000	6%
Equity Share Capital	10,00,000	15,00,000	14%
Retained earning	2,00,000	-----	10%

From the above information find Weighted Average cost of capital using

- (1) Book Value Weight
- (2) Market Value Weight

