

**Revision Paper (2022-23)**

**Class-B.Com-III**

**Subject: Financial Management**

**Paper- BC-303**

**Time: 3 Hours**

**Maximum Marks: 80**

**Note: Attempt five questions in all, selecting at least one question but not more than two questions from any unit. All questions carry equal marks.**

**UNIT-I**

1. Define Financial Management? Discuss its nature, functions and objectives.
2. Define financial planning. Explain the characteristics of sound financial planning.
3. What is over capitalization? What are its causes and remedies?
4. Critically examine preference shares as a source of finance.

**UNIT-II**

5. Define Working capital? Explain its determinants. What are the advantages of adequate working capital?
6. What is cost of capital? What is its significance and what are the problems in determination of cost of capital?
7. Explain Net Income and Net Operating Income Approaches of Capital Structure.

**UNIT-III**

8. The following information is available in respect of a company:-

Capitalisation rate ( $K_e$ ) = 10%

Earning per share (E) = Rs. 8

Calculate the market price of share under Walter's model by assuming a rate of return on investment (i) 15%, (ii) 10%, (iii) 5% and dividend payment ratio of 0%, 25%, 50% and 100%.

9. Discuss the Modigliani and Miller approach of irrelevance of dividends. What are its limitations?

10. The Capital budgeting department of a company has suggested 3 investment proposals. The cash flow for each is tabulated below. If the cost of capital is 12%, select which proposal should the firm adopt.

| Year |           | Cash Flow  |             |
|------|-----------|------------|-------------|
|      | Project I | Project II | Project III |
|      | Rs.       | Rs.        | Rs.         |
| 0    | 18,000    | 55,000     | 35,000      |
| 1    | 5,600     | 12,000     | 13,000      |
| 2    | 6,000     | 20,000     | 13,000      |
| 3    | 8,000     | 24,000     | 13,000      |
| 4    | 8,000     | 32,000     | 13,000      |