Unique Paper Code	: 62414334
Name of the Paper	: Financial Management
Name of the Course	: B.A.Prog - CBCS
Semester	: III
Duration	: 3 hours
Maximum Marks	: 75 Marks

Instructions for Candidates

Attempt ***any four*** questions. All questions carry equal marks.

Q1."The scope of the finance function includes decisions regarding the types of assets to be acquired and the pattern of raising funds from various sources". Do you agree? Explain in detail.

Q2. A project requires an initial investment of Rs. 2,00,000. Its estimated life is 5years. The estimated net cash flows are as under:

Year	Net cash flows (Rs.)
1	35,000
2	50,000
3	55,000
4	65,000
5	75,000

If cost of capital is 10%; calculate (1) Pay back period (2) Net present value,(3) PI & (4) IRR of the project. Based on the accept- reject rule of above mentioned methods, explain your findings.

Q3. "Leverage is said to be a double-edged sword," comment. Explain in detail the three types of leverages with their computation. Also, compare and contrast between financial and operating leverage. How they are associated with Business Risk and Financial Risk?

Q4.. From the following data of Poremost Ltd. and Quorum Ltd., determine the value of the firms, belonging to the homogeneous risk class under NI approach and NOI approach

	Firm P	Firm Q
EBIT	2,25,000	2,25,000
Interest at 15%	75,000	-
Equity Capitalization Rate,	20%	20%
Corporate Tax Rate	50%	50%

Which of the two firms has an optimum Capital Structure under (1) NI approach (2) NOI approach?

Q5. Multiactivity Ltd. is has series of projects that can generate returns of 10%, 12% and 14%. Currently it has earnings of Rs. 12 per share of which 25% is the minimum dividend payout has to be maintained due to investor's preference for current income.
The managing director of the firm is considering three alternative dividend policies of 25%, 50% and 75% payout. The cost of equity is 12%. What is the likely impact on the value of the share of dividend policy under different reinvestment rate under the Walters model? Support your conclusions with reasons. Also critically evaluate the assumptions of the model in use.

Q6. A unit manufacturing bangle containers consumes 17,500 units of plastic fibers every month. The material is consumed uniformly throughout the month. The current per unit cost of acquisition is Rs. 55 and the carrying cost for the firm is 35% on an average based on the recent data available and is not likely to change in the coming months. The firm has to bear a cost of Rs. 360 every time it places an order. Compute the optimal inventory for the year ahead using the EOQ model. Discuss the assumptions and Limitations of EOQ model. Also Compare and contrast the motives of holding cash and inventory.