

2025

FINANCIAL MANAGEMENT — HONOURS

Paper : DSE-6.2 AH

Full Marks : 80

*The figures in the margin indicate full marks.**Candidates are required to give their answers in their own words as far as practicable.*

Group - A

1. Briefly discuss any five functions of a Chief Financial Officer of a joint stock company. 5

Or,

Discuss two criticisms against profit maximisation objective of a firm. 5

2. Nayak Ltd. has to redeem one lakh debentures of ₹ 100 each at the end of 5 years from now. How much the company should start accumulating every year, so that it can pay-off the obligation perfectly in due time? The prevailing rate of interest for investment is 10%. 5
3. Chowringhee Ltd. is considering a project of estimated economic life of eight years. The initial investment is estimated at ₹ 12 lakh. The annual profit before depreciation and tax is expected to be ₹ 2,20,000 for all the years. Find out estimated annual cash flows from the project for first two years with applicable depreciation rate of 10% under diminishing balance method and a corporate tax rate of 40%. 5
4. Calculate Pay Back period of the following two projects and select the favourable project : 5

	Project Deya	Project Neya
Initial Investment	₹ 1 lakh	₹ 1 lakh
Economic Life	5 years	5 years
Cash flow - Year 1	₹ 25,000	₹ 25,000
- Year 2	₹ 25,000	₹ 45,000
- Year 3	₹ 25,000	₹ 45,000
- Year 4	₹ 25,000	₹ 55,000
- Year 5	₹ 25,000	₹ 25,000

Or,

Discuss any two demerits of Accounting Rate of Return. 5

Please Turn Over

(2397)

Group - B

5. A pharmaceutical company, Agnishwar Ltd. has the following capital structure :
 25,000 nos. Equity shares @ ₹ 10 each (market value of Equity shares ₹ 3,75,000), 600 nos. 11% Preference shares @ ₹ 100 each.

General reserve ₹ 1,10,000.

1650 nos. 14% Debentures @ ₹ 100 each.

The expected dividend per equity share is ₹ 1.50 with an expected growth rate of 7%. Preference shares are redeemable after 5 years at par. The applicable tax rate for Agnishwar Ltd. is 40%.

Calculate overall cost of capital of the company using market value as weights.

10

6. (a) From the following given information of two companies, calculate DOL, DFL and DCL :

	Maya Ltd.	Mriga Ltd.
Sales	10,000 units	12,000 units
Sales Price per unit	₹ 12	₹ 10
Variable Cost per unit	₹ 10	₹ 6
Interest on Loan	₹ 7,000	₹ 16,000
Operational Fixed Cost	₹ 5,000	₹ 5,000

- (b) State four assumptions of Net Income (NI) approach.

6+4

7. The following information are given for three companies, Saheb Ltd., Bibi Ltd., and Golam Ltd. All of them want to increase the dividend pay-out ratio from 40% to 70%. Find out the effect on market price of their shares with reference to the dividend decision following Gordon's Model.

10

	Saheb Ltd.	Bibi Ltd.	Golam Ltd.
Cost of capital	10%	10%	10%
Earnings per share	₹ 20	₹ 20	₹ 20
Assumed rate of return on investment	15%	10%	8%

Or,

Discuss any five factors to be considered before formulating the dividend policy of a company.

10

8. Chandranath Ltd. is engaged in a fashion retailing business. From the following information, forecast the working capital requirement of the firm :

10

Projected annual sales	₹ 78 lakh
Percentage of net profit on cost of sales	25%
Credit period allowed to debtors	10 weeks
Credit period allowed by creditors	1 month.

Inventories are kept in stock to meet up the sales of 2 months.

Chandranath Ltd. wants to maintain 10% contingency fund in the form of liquid cash.

(3)

C(6th Sm.)-Financial Management-H/DSE-6.2AH/CBCS

Or,

(a) Briefly discuss the relevance of liquidity and profitability in working capital management.

(b) Explain the importance of working capital cycle.

5+5

9. (a) Discuss any two costs of maintaining receivables.

(b) Distinguish between Conservative and Aggressive Strategies of Working Capital financing.

4+6

10. Ananda Ashram Limited is considering installation of a project for expecting economic life of five years. Initial investment for machinery will be ₹ 6 lakh with a salvage value of ₹ 1 lakh. Additional working capital requirement for the project will be ₹ 80,000. Expected Profit before interest and tax will be ₹ 2,40,000 per year for first three years and ₹ 1,60,000 per year for the remaining period. Straight-line method of depreciation may be allowed for decision making. Corporate tax rate is 40% and the company requires a minimum post-tax return of 12% on the investment considering the risk associated.

(a) Comment on acceptability of the project based on profitability index.

(b) Will your comment remain same, if this project requires an additional overhauling expense of ₹ 80,000 during the second year of the project?

8+2

Or,

Write short notes on :

(a) Ranking of projects with unequal lives

(b) Capital Rationing when all projects are divisible in nature.

5+5