

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)

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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