SET A

Roll No.

Department of Management
School of Management and Business Studies
Jamia Hamdard
B.Com-Semester III
Odd Semester Examination - December 2025

Subject Name: Financial Management **Max. Marks: 60**

Subject Code: BCH-DC-08 **Time: 2.5 Hours**

***Attempt both sections as per instructions.**

Section A - Short Answer (6 x 4 = 24)

Instructions for Section A: Attempt any Six Questions. All questions carry equal marks

Q1: Distinguish between Profit Maximization and Wealth Maximization objectives.
Q2: State any four factors that have widened the scope of financial management in recent years
Q3: What is Post-Payback Profitability? How is it calculated?
Q4: State the merits of the Net Present Value method.
Q5: A company has estimated that for a new product its selling price is Rs. 15 per unit, variable cost is Rs. 10 per unit and fixed cost is Rs, 1000. calculate the operating leverage for sales volume of 4000 units and 5000 units.
Q6: What is the basic difference between the Traditional Approach and MM Approach?
Q7: What are Bonus Shares? Why do companies issue bonus shares?
Q8: List any four important factors affecting dividend decision in practice.
Q9: What is the main objective of working capital management?

Section B-Long Answer (3 x 12 = 36)

Instructions for Section B: Attempt any Three Questions. All questions carry equal marks

Q1: Explain the three major objectives of financial management. Critically examine the profit maximization vs wealth maximization debate and state which objective is more appropriate in today's corporate world.

Q2: A company is evaluating a project that requires an initial investment of ₹500,000. The project is expected to generate the following cash inflows over its useful life of 5 years:

Year	Cash Inflow (₹)
1	120,000
2	140,000
3	160,000
4	180,000
5	200,000

Additional information:
i. The project has no salvage value.

ii. The required rate of return (discount rate) is 10%.
iii. The company's accounting rate of return (ARR) is based on average investment.
iv. Depreciation is charged on a straight-line basis.

Required:
Calculate the following for the project:

a) Net Present Value (NPV)
b) Internal Rate of Return (IRR)
c) Profitability Index (PI)
d) Accounting Rate of Return (ARR)
e) Pay back period

Q3: The capital structure of Abhinav Ltd. On 31st March,2025 was:

	Rs.
8% Debentures	12,00,000
9% Bank Loans (Long term)	2,00,000
10% Preference Shares of Rs. 10	14,00,000
19000 Equity shares of Rs.100	19,00,000
Reserve & Surplus	13,000,00
	60,00,000

The present earnings before interest and Tax are Rs. 9,00,000 It is hoped that this company will maintain the same rate of return. The company needs Rs. 10,00,000 for an expansion programme. For this following financing alternatives are available:

a. Issue of 9% debentures at par,
b. Issue of 10% Preference Shares at par,
c. Issue of equity shares at a premium of Rs. 25.

Which alternative is the best for company? Assume tax rate 50%

Q4: The Total Capitalisation of the company has been made at Rs.40 lacs. The company's average annual earning (before interest and tax) are Rs.10 lacs.
The market rate of capitalisation for similar companies is 20%. Considering the above facts you have to answer:

a. Whether the company is underutilized? (Giving reasons for your answer)
b. If so, what is that extent of under-capitalization?
c. In case the company is sure to maintain the existing level of its financial performance in future also; then what will be the impact of the above condition on the market value of its shares.

Q5: Explain Walter's Dividend Model in detail. How does it classify firms into growth, normal, and declining firms? Show the valuation formula and its implications on dividend policy.

Q6: Define Working Capital. Distinguish between Gross Working Capital and Net Working Capital. Explain the operating cycle concept of working capital with a suitable diagram.