

the position.

- (e) Discuss the methods of calculating the cost of equity capital of a firm.
- (f) Subhash company is considering the purchase of a machine. Model "A" and model "B" are available for this purposes each costing Rs. 50,000. Earning after taxation are expected to be as under :

Year (Rs)	Machine A (Rs)	Machine B
First	15,000	5,000
Second	20,000	15,000
Third	30,000	20,000
Fourth	15,000	30,000
Fifth	5,000	20,000

Evaluate the two alternatives according to (a) Payback period method (b) Return on investment method.

Printed Pages : 4



NBHM604

(Following Paper ID and Roll No. to be filled in your Answer Book)

PAPER ID : 174610

Roll No.

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BHMCT
(SEM. VI) THEORY EXAM. 2014-15
FINANCIAL MANAGEMENT

Time : 3 Hours]

[Total Marks : 100

Note : Attempt the questions from each section as indicated.

SECTION - A

Q1. Define all of the following terms : 2x10=20

- (a) Preferential shares
- (b) Types of inventory
- (c) Cash management

- (d) Operating cycle
- (e) Point of indifference
- (f) Time value of money
- (g) EOQ
- (h) Temporary working capital
- (i) Production cycle
- (j) Budget

SECTION - B

Q2. Attempt any *five* questions from the following : 6x5=30

- (a) What is meant by credit terms? How are they designed?
- (b) Distinguish between ARR and IRR methods.
- (c) Define weighted average cost of capital.
- (d) Briefly explain the term leverage and also discuss its type.

- (e) "Investment, financing and dividend decisions are all inter-related". Comment.
- (f) Alpha Company is willing to issue 2,000 (two thousand) 8% debentures of Rs 100 each and for which company will have to incur the following expenses: underwriting commission 1.5%, brokerage 0.5%, stationary and other expenses Rs 500. Assuming tax rate 50%, find out the cost of debt capital.

SECTION - C

Q3. Attempt any *five* questions from the following : 10x5=50

- (a) Briefly describe the responsibility of financial manager in an organization.
- (b) What is the concept of working capital? Discuss the various factors affecting the working capital.
- (c) Discuss the various approaches to the capital structure.
- (d) "To boost up profits, the liberal credit policy should be followed which will result into increase in sales." Explain