

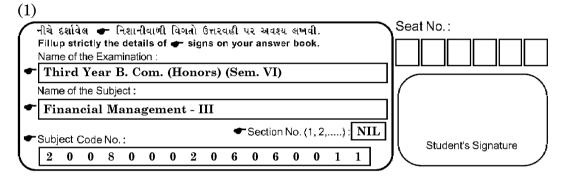
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B. Com. (Honors) (Sem. VI) Examination April - 2022

Financial Management - III

Time: 2 Hours] [Total Marks: 50

Instructions:



1 Answer in brief: (any five)

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- a. What is optimum capital structure?
- b. State the assumptions of Modigliani- Miller (MM) approach of capital structure.
- c. Explain the significance of debt-equity ratio.
- d. What is Weighted Average Cost of Capital?
- e. List the assumptions of MM hypothesis in support of irrelevance of dividend.
- f. What is dividend decision?
- g. What is permanent working capital?
- h. What is 'Net Operating Cycle'?
- i. What is receivables management?
- j. Explain 'Matching Approach' as a working capital management strategy.

Attempt ANY TWO from the following (Q.2 to Q.5)

2 Explain in detail net income approach and net operating 14 approach of capital structure.

- 3 The earnings per share of a company are Rs. 10 and the capitalisation rate applicable to it is 10%. The company has before it the options of adopting a pay-out of 0% or 50% or 100%. Using Gordon's formula, compute the market value of the company's share if the productivity of retained earnings is (a) 20% (b) 10% and (c) 8%. What inference can be drawn from the calculations?
- 4 Explain the motives for holding cash. Discuss cash management techniques.
- 5 What is working capital? Discuss the significance of working capital. Explain determinants of working capital requirement.
- 6 Write short notes on : (any two)
 - a. EBIT-EPS analysis
 - b. Determinants of dividend policy
 - c. Walter's model
 - d. Inventory management.