

9. The total annual sales of a company are Rs. 5,00,000. Its variable costs are 40% of sales and fixed costs are Rs. 2,00,000. The annual interest burden on borrowed capital is Rs. 60,000. You are required to calculate the operating leverage, the financial leverage and the combined leverage of the company. What will be the percentage increase in profits before tax in case the Co's sales increase by 10 percent. Verify by proper calculators.

10. Write short notes on any **two** of the following :

- (a) Functions of Financial Management
- (b) Long-term Sources of Borrowed Capital
- (c) Optimum Capital Structure
- (d) Indifference Point



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2017

Time : 3 hours

Full Marks : 70

Candidates are required to give their answers in their own words as far as practicable.

The questions are of equal value.

*Answer any **five** questions.*

1. Define Financial Management. Discuss the nature and scope of Financial Management.
2. Discuss why maximising wealth is a better objective than maximising profit. Explain the logic of wealth maximisation in Financial management.
3. (a) "For appropriate financial decision-making, it is essential for a financial manager to accord proper cognizance of the concept of the time value of money." Explain this statement.

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(Turn over)

(b) If the rate of interest is 10 percent, then calculate the compounded value of Rs. 10,000 invested how for a period of five years.

4. Discuss the various sources of short-term funds available in India.
5. Distinguish between Gross and Net Working Capital Concept and discuss the factors which determine the size of working capital.
6. What is Capital Structure ? Explain the factors which must be considered while designing the capital structure.

7. The following data have been extracted from ABC Co.Ltd. :

Cost of Raw Material Rs. 5 pu.

Cost of Direct Labour Rs. 2 pu.

Overheads Rs. 1 pu.

Total Cost 8 pu.

Profit 2 pu.

Selling Price Rs 10 pu.

The following additional information is given below :

- (a) The average storage period for raw material is 40 Days
- (b) The average storage period for finished goods 30 Days
- (c) Production cycle 20 Days
- (d) The Co. is given credit facility by the suppliers 60 Days
- (e) Company sells goods on credit to its customers 30 Days
- (f) No. of units produced per year 2,50,000 units

The raw material is issued at the beginning of a cycle. The Co. keeps 25% of average working capital requirement in cash to meet contingency. Estimate the working capital requirement of the firm by operating cycle method.

8. What is meant by leverage ? Explain its types and effects.