(f) Subhash Co. is considering the purchase of a machine. Model "A" and model "B" are available for this purpose each costing Rs. 50,000. Earning after taxation are expected to be as under.

Year	Machine A (Rs.)	Machine B (Rs.)
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) Pay-back Period Method (b) Return on investment method.

—x—

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

PAPER ID :174610

Roll No. ☐☐☐☐☐☐☐☐☐☐

BHMCT

(SEM-VI) EVEN SEMESTER THEORY EXAMINATION, 2014-15

FINANCIAL MANAGEMENT

Time : 3 Hours] *[Total Marks : 100*

Note: Attempt all Section

Section–A

1. Attempt all questions: 2×10=20

Define the following terms:

(a) Shares

(b) EBIT

(c) Annuity

(d) Business Finance

(e) Time value of MOney

(f) EOQ

(g) JIT

(h) Permanent working Capital

(i) Operating cycle

(j) Finance

Section–B

2. Attempt any five questions: 6×5=30

(a) What is EBIT-EPS analysis and how would you compute it?

(b) What is pay-back period? Discuss its advantage and disadvantages.

(c) What is ABC analysis? What are the benefits of ABC analysis.

(d) Explain the important steps in capital budgeting process.

(e) What is financial management? Discuss its scope and nature.

(f) Rajan Co. is willing to issue 1,000 7% debentures of Rs. 100 each and which company will have to incur the following expenses : Underwriting commission 2%, Brokerage 0.5% stationary & other expenses Rs. 1000. Assuming tax rate 50% find out the cost of debt capital.

Section–C

3. Attempt any five questions: 10×5=50

(a) Briefly describe the responsibility of financial manager in an organization.

(b) What is the concept of working capital? Discuss various factors affecting 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 the position.

(e) Discuss the methods of calculating the cost of equity capital of a firm.