(Please write your Exam Roll No.) Exam Roll No. 508170288824

# END TERM EXAMINATION

## FOURTH SEMESTER [B.COM(H)] MAY-JUNE 2026

**Paper Code: BCOM-202** **Subject: Financial Management**

**Time: 3 Hours** **Maximum Marks: 60**

***Note: Attempt all questions as directed. Internal choice is indicated.***

**Q1.** Attempt **any FOUR** of the following questions: **(4x5=20)**

a) Explain the concept of Wealth Maximization as the goal of financial management. How is it superior to Profit Maximization?

b) Mr. Anil deposits ₹5,000 at the end of every year for 5 years in a bank account earning 10% compound interest. Calculate the future value of this annuity.

c) Distinguish between Payback Period Method and Discounted Payback Period Method with the help of a suitable example.

d) What is Weighted Average Cost of Capital (WACC)? A company has 60% equity (cost 14%) and 40% debt (cost 9%, tax rate 30%). Compute the WACC.

e) Explain the Net Income (NI) approach to capital structure theory. How does it suggest an optimal capital structure?

f) Distinguish between Walter's Model and Gordon's Model of dividend policy. State their key assumptions.

g) What is the operating cycle? Explain its components with the help of a diagram for a manufacturing firm.

h) Explain the Baumol Model of cash management. What are its assumptions and limitations?

**Q2.** **(10)**

(a) Discuss the nature, scope, and objectives of Financial Management. Explain the three key financial decisions that a financial manager must take.

(b) Mr. Raj is considering two investment options: Option A offers ₹15,000 after 3 years and Option B offers ₹20,000 after 5 years. If the discount rate is 12%, advise Mr. Raj which option he should choose using the Present Value technique.

**OR**

**Q3.** **(10)**

(a) Explain the functions and responsibilities of a financial manager in a modern business enterprise. How has the role evolved with changing business environment?

(b) A machine costs ₹1,00,000 and generates the following cash inflows: Year 1: ₹30,000; Year 2: ₹35,000; Year 3: ₹40,000; Year 4: ₹25,000; Year 5: ₹20,000. The required rate of return is 10%. Calculate the Net Present Value and advise whether the machine should be purchased.

**Q4.** **(10)**

A company is evaluating two mutually exclusive projects with the following details:

**P.T.O.**

**OR**

Q5 The standard material cost for production of 100 kg. of chemical X is made up of: **(10)**

Chemical A – 30 kg @ Rs. 4 per kg
Chemical B – 40 kg @ Rs. 5 per kg
Chemical C – 80 kg @ Rs. 6 per kg

In a batch, 500 kg of chemical X was produced from a mix of:
Chemical A – 140 kg at a cost of Rs. 588
Chemical B – 220 kg at a cost of Rs. 1056
Chemical C – 440 kg at a cost of Rs. 2860
Calculate various material variances.

Q6 What is marginal costing? Explain the difference between marginal costing and absorption costing. **(10)**

**OR**

Q7 Raja Plastic Company makes plastic buckets. An analysis of their accounting reveals: **(10)**

Variable cost per bucket – Rs. 20
Fixed cost – Rs. 50000 for the year
Capacity – 2000 buckets per year
Selling price per bucket – Rs. 70

a. Find the break-even point
b. Find the number of buckets to be sold to get a profit of Rs. 30000
c. If the company can manufacture 600 buckets more per year with an additional fixed cost of Rs. 2000, what should be the selling price to maintain the profit per bucket?

Q8 MM Company Ltd. produces a single product. Its selling price and production cost per unit are as under: **(10)**

| Output | 40,000 units |
|---|---|
| | Cost per unit (Rs.) |
| Material cost | 4 |
| Labour cost | 4 |
| Variable overhead | 2 |
| Fixed expenses | 4 |
| Total cost | 14 |

Due to depression, the company is not able to sell at the existing selling price of Rs. 16 per unit. However, it is possible to sell the total output of 40,000 units at Rs. 12 per unit.
You are required to advise whether the company should sell at Rs. 12 per unit or close the factory.

**OR**

Q9 An industrial concern which had no costing system appointed a Cost Accountant. After installing a system of collection of cost data, the Cost Accountant observed that out of the three products which are produced independent of each other, loss is being incurred in product B. He immediately decides to advise management to discontinue manufacture of this product supported by the following calculations: **(10)**

| | Product A | Product B | Product C |
|---|---|---|---|
| Sales | 1,00,000 | 65,000 | 4,90,000 |
| Variable manufacturing cost | 52,000 | 26,000 | 1,40,000 |
| Fixed manufacturing overhead (apportioned) | 6,500 | 19,000 | 1,05,000 |
| Variable selling and distribution cost | 18,000 | 17,000 | 18,000 |
| Fixed selling and distribution cost | 4,600 | 4,600 | 4,000 |
| Total cost | 81,000 | 66,600 | 2,67,000 |
| Net Profit | 18,900 | - | 2,23,000 |
| Net Loss | - | 1600 | - |

Do you agree with the Cost Accountant's conclusion? Argue with your views on the basis of data.

**********

P-212