



0432

IV Semester 5 Yrs. B.B.A./B.Com. LL.B. (Even Sem.)

Examination, August/September 2024

FINANCIAL MANAGEMENT

Duration : 3 Hours

Max. Marks : 100

Instructions : 1. Answer Q. No. 9 and any five of the remaining questions.

2. Q. No. 9 carries 20 marks and the remaining questions carry 16 marks each.

3. Answers should be written in English only.

4. Use simple calculator.

Q. No. 1. Define Financial Management. Explain the objectives and functions of Financial Management.

Marks : 16

Q. No. 2. Amal Ltd. has 60,000 equity shares of ₹ 100 each. The company wants to raise another 30,00,000 shares. There are different financial plans.

Marks : 16

i) All debentures carry 10% Interest.

ii) All equity.

iii) ₹ 20,00,000 of equity shares and ₹ 10,00,000 in 10% debenture.

iv) ₹ 10,00,000 equity shares and ₹ 20,00,000 in 10% preference share.

v) Tax rate is 50%. Calculate Eps :

(1) When EBIT is 10,80,000

(2) When EBIT is 13,50,000.

Q. No. 3. What do you mean by inventory management ? Briefly explain the techniques of inventory management adopted by cost accountants.

Marks : 16

Q. No. 4. To prepare an estimate of working capital requirement for the following information.

Marks : 16

i) Projected annual sale is 3,00,000 units.

ii) Selling price Rs. 25 per unit.

iii) Percentage of net profit on sale is 30%.

P.T.O.



- iv) Average credit period allowed by suppliers is 5 weeks.
- v) Average credit period allowed to customers is 10 weeks.
- vi) Average stock holding in terms of sale requirement is 5 weeks.
- vii) Allow 15% for contingencies.

Q. No. 5. Explain briefly the MM approach under Dividend theory including assumptions, construct and formulate the theory. Marks : 16

Q. No. 6. What is the cost of capital ? Explain its importance and factors in determining the weighted average cost of capital. Marks : 16

Q. No. 7. A company is considering purchase a machinery. Two machines are available Machine "X" and Machine "Y" costing ₹ 1,00,000 earning after tax are expected to be as follows : Marks : 16
Estimated cash flows are below.

Year	Machine "X"	Machine "Y"
1	30,000	10,000
2	40,000	30,000
3	50,000	40,000
4	30,000	60,000
5	20,000	40,000

Evaluate the two alternatives according to :

- i) Pay-back period method.
- ii) Net present value method (cost of capital 10%).

Assume straight line method of depreciation that discounting factor is as under.

Year	Discounting factor @ 10%
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621



Q. No. 8. Write a short note on **any two** :

Marks : 2×8=16

(a) CAPM

(b) Types of Dividend Policy

(c) WACC.

Q. No. 9. Solve **any two** of the following problems.

Marks : 2×10=20

(a) If firms have the following capital structure and after tax cost for different sources of funds.

Sources of funds	Book Value	Market Value	After tax cost
Debt	15,00,000	15,00,000	5%
Preference share	12,00,000	12,00,000	10%
Equity share	18,00,000	54,00,000	12%
Retained Earning	15,00,000	—	11%
Total	60,00,000	81,00,000	
Compute weighted average cost of capital under :			
i) On the basis of book value.			
ii) On the basis of market value.			

(b) A firm is considering an expenditure of ₹ 75 lakhs for expanding its operations. The relevant information is as follows :

Number of existing equity shares = 10 lakhs

Market value of existing share = ₹ 100

Net earning = 100 lakhs

Compute the cost of existing equity share capital and of new equity capital assuming that new shares will be issued at a price of ₹ 92 per share and the costs of new issue will be ₹ 2 per share.

(c) Z Ltd. considering a purchase of a New Machine. Two alternative Machine "A" and Machine "B" have been suggested. Earning having initial cost of rupees 4,00,000 requiring ₹ 20,000 as additional working capital at the end of 1st year.

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Earning after tax is expected to be as follows.

The following table contains the cash inflow of the both machines

Year	Machine "A"	Machine "B"
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,40,000	1,20,000
5	1,60,000	80,000

The cost of capital is 10% and find out the Net present value and suggest Z Ltd.

The discount factor at 10% is as under

Year	Discount factor @ 10%
1	0.909
2	0.826
3	0.751
4	0.683
5	0.671

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IV Semester 5 Year B.B.A. LL.B. Examination, March/April 2024 (Odd Sem.)
FINANCIAL MANAGEMENT

Duration : 3 Hours

Max. Marks : 100

- Instructions :**
- 1. Answer Q. No. 9 and any five of the remaining questions.**
 - 2. Q.No. 9 carries 20 marks and the remaining questions carry 16 marks each.**
 - 3. Answer should be written in English completely.**
 - 4. Use simple calculator only.**

Q. No. 1. Explain the functions of Finance Manager and discuss the objectives of financial management.

Marks : 16

Q. No. 2. The following information is provided to you in respect of a company.

i) Element of cost	Rate per unit
Raw material	100
Labour	40
Overhead	<u>30</u>
Total cost	170
Profit	<u>30</u>
Selling price	200

- Raw materials remain in stores for about 2 months.
- Processing time 1 month.
- Lag in payment of wages 1 month.
- Finished goods remain in stores for about 2 months.
- Credit allowed to Debtors 2 months.
- Credit allowed by suppliers 3 months.
- Expected level of activity 4,00,000 units.

Estimate working capital requirements. Add 15% for margin for contingencies.

Marks : 16
P.T.O.



- Q. No. 3. Following are the details regarding the Capital Structure of a company.

Source	Book value	Market value	After tax cost
Equity Shares	2,00,000	2,20,000	10%
Debentures	3,00,000	2,00,000	5%
Preference Shares	2,00,000	3,00,000	12%

You are required to calculate WACC by using

- Book value method.
- Market value method.

Marks : 16

- Q. No. 4. Explain the factors influencing the working capital requirements. Marks : 16

- Q. No. 5. Explain in brief techniques of inventory control. Marks : 16

- Q. No. 6. A company is planning to invest in new machine costing ₹ 20,00,000. The cash flows associated with the machine are given below.

Years	Cash flows (₹)
1	4,50,000
2	5,00,000
3	8,00,000
4	9,00,000
5	2,00,000

Evaluate the proposal using following Techniques.

- Pay back period.
- NPV @ 10%
- Profitability Index @ 10%
- Accounting rate of return.

Marks : 16



Q. No. 7. What is merger and acquisition ? Explain the types of mergers and reasons for merger.

Marks : 16

Q. No. 8. Write a short note on **any two** of the following.

Marks : 2×8=16

- (a) Cost of capital.
- (b) Operating cycle.
- (c) MM approach under Dividend Policy/Theory.

Q. No. 9. Write on **any two** of the following :

Marks : 2×10=20

- (a) ABC Ltd. has 2,00,000 shares outstanding and is planned to declare a dividend to ₹ 5 at the end of the year. The present market price is ₹ 100 per share. The capitalisation rate is 10%. Using MM model, ascertain the price of the shares as it is likely to prevail at the end of the year.
 - (1) When dividend is declared.
 - (2) When no dividend is declared.

The company expects to have a net Income of ₹ 10,00,000 and Investment of ₹ 20,00,000 at the end of the year.

- (b) Explain various factors peculiar to multinational companies.
- (c) Methods of capital budgeting.



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**IV Semester 5 Years B.B.A. LL.B. Examination, September/October 2023
(June 2023)**

FINANCIAL MANAGEMENT

Duration : 3 Hours

Max. Marks : 100

Instructions : 1. Answer Q.No. 9 and any five of the remaining questions.

2. Q.No. 9 carries 20 marks and the remaining questions carry 16 marks each.

3. Answer should be written in English completely.

4. Use Simple Calculator.

Q. No. 1. What are the factors that influence dividend policy ? Marks : 16

Q. No. 2. What are the features of Mergers and Acquisitions ? And explain the reasons for mergers and acquisitions. Marks : 16

Q. No. 3. Explain the various factors influencing working capital requirements of a business organisation. Marks : 16

Q. No. 4. What is financial management ? Explain the functions of financial management. Marks : 16

Q. No. 5. What is Inventory Management ? Explain the various techniques of Inventory management. Marks : 16

Q. No. 6. The Capital Structure of HP Ltd. is as follows : Marks : 16

6% Preference share capital 5,00,000

Equity share capital 10,00,000

8% Debentures 15,00,000

The company has made a profit of Rs. 25,000/- the company is under 50% tax bracket.

It has 1000 Equity shares of Rs. 100 each and market price of which is Rs. 145 each and the growth in dividend is 8%.

a) Calculate the weighted average cost of Capital.

P.T.O.



- b) And calculate the new weighted average cost of Capital if the Company rises an additional Rs. 10,00,000 debt by issuing 10% Debentures. This would result in an increase in the expected dividend by Rs. 5 per share, growth rate in dividend has increased to 9% and the market price will come upto Rs. 150 per share.

Q. No. 7. Following is the cost structure of Product 'M' you are required to find out Working Capital required.

Marks : 16

Element of Cost	Amount per Unit
Raw material	70
Direct Labour	40
Overheads	60
Cost of Production (or) Total cost	170
Add Profit	30
Selling price	200

The following further particulars are available :

- Raw material are in Stock on an average for one month.
- Materials are in process on an average for half a month.
- Finished goods are in stock on average for one month.
- Credit allowed by suppliers is one month.
- Credit allowed to customers is two months.
- Lag in payment of wages is 1½ week.
- Lag in payment of over head expenses is one week.
- ¼th of the output is sold against cash.
- Cash in hand and cash @ bank is expected to be Rs. 20,000

You are required to prepare a statement showing the Working Capital needed to finance a level of activity of 80000 units of production (1 month = 4 weeks)



Q. No. 8. Write a short note on **any two** of the following.

Marks : 2×8=16

- (a) Capital Budgeting.
- (b) Capital Structure.
- (c) Cost of Capital.

Q. No. 9. Solve **any two** of the following :

Marks : 2×10=20

- (a) A Company issue 15% debenture of Rs. 10,00,000 the company is in 50% tax bracket. Calculate cost of debt if debentures are issued @ (1) par (2) 10% discount (3) 10% premium.
- (b) From the following Capital Structure, calculate WALL, based on Book value weights.

Sources	Amount	Specific Cost
1) Debentures	6,00,000	10%
2) Preference Shares	2,00,000	15%
3) Retained Earning	1,50,000	17%
4) Equity Shares	2,50,000	12%

(c) Calculate pay back period for the following :

- 1) Initial Investment Rs. 1,00,000
- 2) Life of the project 4 years

Assume Tax Rate @ 50%.

Year	PBDBT
1	50,000
2	40,000
3	30,000
4	10,000



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**Fourth Semester 5 Year B.B.A., LL.B. Examination, October/November 2022
(June 2022)**

FINANCIAL MANAGEMENT

Duration : 3 Hours

Max. Marks : 100

- Instructions :**
1. Answer Question No. 9 and any five of the remaining questions.
 2. Question No. 9 carries 20 marks and the remaining questions carry 16 marks each.
 3. Answer should be written in English completely.

Q. No. 1. The capital structure of Ram Ltd. is as follows : Marks : 16

Equity share capital	10,00,000
6% Preference share capital	5,00,000
8% Debentures	15,00,000

The company has made a profit of Rs. 25,000. The company is under 50% tax bracket. It has 1000 equity shares of Rs. 100 each and market price of which is Rs. 145 each and the growth in dividend is 8%.

- (a) Calculate the weighted average cost of capital.
- (b) Also calculate the new weighted average cost of capital if the company raises an additional of Rs. 10,00,000 debt by issuing 10% debentures. This would result in an increase in the expected dividend by Rs. 5 per share. The growth rate in dividend has increased to 9% and the market price will come upto Rs. 150 per share.

Q. No. 2. PQR Ltd. has 2,00,000 shares outstanding and is planning to declare a dividend to Rs. 5/- at the end of current financial year. The present market price is Rs. 100. The cost of equity capital K_e may be taken at 10%. Using MM model and assuming no taxes, ascertain the price of the company's share as it is likely to prevail of the end of the year.

Marks : 16

- (i) When dividend is declared and
- (ii) When dividend is not declared ?

The company expects to have a net income of Rs. 20,00,000 during the year and is planning to make an investment of Rs. 40,00,000 at the end of the year.

P.T.O.



Q. No. 3. What is working capital management ? Explain the determinants of working capital.

Marks : 16

Q. No. 4. What do you mean by Mergers and Acquisitions ? Explain the different types and reasons for mergers and acquisitions.

Marks : 16

Q. No. 5. From the following information, calculate pay-back period of machines X and Y and NPV @ 10% D.F.

Marks : 16

Particulars	Machine X	Machine Y
Cost of each machine	5,00,000	6,00,000
Life	5 Years	6 Years
Tax rate	50%	50%
Profit before depreciation and tax		
Years	Machine X	Machine Y
1	1,10,000	1,80,000
2	1,40,000	2,10,000
3	1,70,000	2,40,000
4	1,60,000	1,90,000
5	1,30,000	2,00,000
6	—	1,00,000

Straight line method of depreciation is followed :

The P.V. @ 10% D.F. are as follows :

Year	1	2	3	4	5	6
D.F. @ 10%	0.909	0.826	0.751	0.683	0.621	0.564

Q. No. 6. What is capital structure ? Explain briefly the different theories of capital structure.

Marks : 16

Q. No. 7. Y Ltd. decides to take over X Ltd. Following data is available :

Marks : 16

	Y Ltd.	X Ltd.
No. of shares	4,00,000	3,00,000
EPS in Rs.	12	10
P/E ratio	6	5
MPS in (Rs.)	70	50

Exchange ratio is 0.8 shares for every share of X Ltd. Find out

- Post merger EPS
- P/E ratio
- MPS.



Q. No. 8. Write a short note on **any two** of the following :

Marks : $2 \times 8 = 16$

- (a) Cash management.
- (b) Types of dividends.
- (c) Debtors management.

Q. No. 9. Answer **any two** of the following :

Marks : $2 \times 10 = 20$

- (a) Explain the MM approach of dividend theory.
- (b) Birla Company Ltd. desires to finance through the following sources :

Sources	Amount	Cost
Equity capital	1,00,000	18%
Reserve	1,00,000	15%
Debentures	50,000	14%
Preference share capital	1,00,000	12%

Calculate the weighted average cost of capital based on total cost and on weights.

- (c) Write a short note on Sharpe Lintner Model.

Q. No. 2. PQR Ltd. has 2,00,000 shares outstanding and is planning to declare a dividend of Rs. 5/- at the end of current financial year. The present market price is Rs. 100. The cost of equity capital is 10%. Using MM model and assuming no taxes, ascertain the price of the company's share at the end of the year.

Marks : 10

- (i) When dividend is declared and
- (ii) When dividend is not declared?

The company expects to have a net income of Rs. 20,00,000 during the year and is planning to make an investment of Rs. 40,00,000 at the end of the year.

P.T.O.

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IV Semester 5 Years B.B.A., LL.B. Examination, April/May 2022 (Dec. 2021)
FINANCIAL MANAGEMENT

Duration : 3 Hours

Max. Marks : 100

- Instructions :**
1. Answer Q.No. 9 and any five of the remaining questions.
 2. Q.No. 9 carries 20 marks and the remaining questions carry 16 marks each.
 3. Answer should be written only in English.
 4. Use simple calculator.

- Q. No. 1. What are the factors influencing dividend policy ? Marks : 16
- Q. No. 2. Explain the factors influencing the working capital requirement. Marks : 16
- Q. No. 3. Explain traditional and Modigliani propositions under Capital Structure theories. Marks : 16
- Q. No. 4. What do you mean by cost of capital ? Discuss the computation of various sources of cost of capital. Marks : 16
- Q. No. 5. A Hp Co. is planning to invest in a new machine costing Rs. 15,00,000/- the cash flows associated with the machine are given below. Marks : 16

Year	Cash in flow (Rs.)
1	4,50,000
2	6,00,000
3	7,50,000
4	6,00,000
5	2,00,000

P.T.O.



Evaluate the investment proposal using the following methods :

- (a) Pay Back Period (PBP)
- (b) Net Present Value (NPV)
- (c) Profitability Index (PI) @ 10%
- (d) Accounting Rate of Return (ARR)

The P.V. of Re. 1 @ 10% discount factor.

Yr.	1	2	3	4	5
PV factor @ 10%	0.909	0.826	0.751	0.683	0.621

Q. No. 6. What is merger ? Explain the various reasons for merger and state the types of merger. Marks : 16

Q. No. 7. What do you mean by inventory management ? What are the different techniques being adopted while managing inventory? Explain them. Marks : 16

Q. No. 8. Write short notes on **any two** of the following : Marks : 2×8=16

- (a) Financial management of Multinational Corporations.
- (b) Functions of financial management.
- (c) Capital asset pricing model.

Q. No. 9. Solve **any two** of the following problems : Marks : 2×10=20

- (a) A company issues 15% debenture of Rs. 10,00,000. The company is in 50% tax bracket. Calculate cost of debt if debentures are issued at
 - (i) par
 - (ii) 10% discount
 - (iii) 10% premium



- (b) From the following capital structure, calculate WACC, based on book value weights.

Sources	Amount Rs.	Specific cost
Debentures	6,00,000	10%
Preference shares	2,00,000	15%
Reserves and surplus	1,50,000	17%
Equity shares	2,50,000	12%

- (c) Mahesh and Co. is considering the purchase of a machine. Two machines X and Y each costing Rs. 50,000 are available. Cash inflows are expected to be as under :

Calculate payback period.

Year	Machine X (Rs.)	Machine Y (Rs.)
1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

Year	Cash In flow (Rs.)
1	15,000
2	20,000
3	25,000
4	15,000
5	10,000

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IV Semester 5 Year B.B.A. LL.B. Examination, October/November 2021
FINANCIAL MANAGEMENT

Duration : 3 Hours

Max. Marks : 100

- Instructions :**
1. Answer Q. No. 11 and any five of the remaining questions.
 2. Q. No. 11 carries 20 marks and the remaining questions carry 16 marks each.

- Q. No. 1. Explain traditional and Modigliani propositions under capital structure theories. Marks : 1×16=16
- Q. No. 2. What is merger and acquisition ? Explain various reasons for merger. Marks : 1×16=16
- Q. No. 3. Following are the details regarding the capital structure of a company : Marks : 1×16=16

Sources of Capital	Book Value	Market Value	Specific Cost
Debentures	40,000	38,000	10%
Equity shares	60,000	90,000	26%
Pref. shares	10,000	11,000	16%
Retained earnings	20,000	30,000	18%

You are required to determine the weighted average cost of capital using :

- 1) Book value as weights
- 2) Market value as weights.

- Q. No. 4. Define "dividend policy" and explain its nature. Explain the types of dividend policy. What are the objectives of dividend policy ? Marks : 1×16=16

P.T.O.

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Q. No. 5. A company is considering an investment proposal to install new machine at a cost ₹ 50,000. The facility has a life of 5 years and no salvage value. The tax rate is 35%. Assume the firm uses straight line depreciation for tax purposes.

Marks : 1×16=16

Year	CFBT	PV Factor
1	10,000	0.909
2	10,692	0.826
3	12,769	0.751
4	13,462	0.683
5	20,383	0.621

Calculate :

- 1) Payback period
- 2) ARR
- 3) IRR
- 4) Net present value @ 10%
- 5) Profitability index @ 10%

Q. No. 6. M Ltd. decides to takeover A Ltd., following are the data available :

Marks : 1×16=16

	M Ltd.	A Ltd.
No. of shares	4,00,000	3,00,000
EPS	10	8
P/E ratio	6	5
MP of shares	60	40

Exchange ratio is 0.8 shares for every share of A Ltd.

Find out :

- 1) Post Merger EPS
- 2) P/E ratio
- 3) MP of shares.

Q. No. 7. What is working capital ? What are the different classifications of working capital ? What are the merits and demerits of working capital ?

Marks : 1×16=16



- Q. No. 8. Following is the cost structure of product 'M', you are required to find out working cap. required Marks : 1×16=16

Element of cost	Amount per unit
Raw material	70
Direct labour	40
O/H	60
Cost of Production (or) Total cost	170
(+) Profit	30
Selling	200

The following further particulars are available :

- 1) Raw material are in stock on an average for 1 month.
- 2) Materials are in process on an average for half a month.
- 3) Finished goods are in stock on an average for one month.
- 4) Credit allowed by suppliers is one month.
- 5) Credit allowed to customers is two months.
- 6) Lag in payment of wages is 1 and ½ week.
- 7) Lag in payment of overhead expenses is 1 week.
- 8) ¼th of the output is sold against cash.
- 9) Cash in hand and cash at bank is expected to be ₹ 20,000.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 80,000 units of production (1 month = 4 weeks)

- Q. No. 9. What is capital structure ? Explain the factors influencing the capital structure. Marks : 1×16=16
- Q. No. 10. Write a short note on **any two** of the following : Marks : 2×8=16
- (a) CAPM model
 - (b) ABC analysis in Inventory Management.
 - (c) Working capital cycle.



Q. No. 11. Solve **any two** of the following problems : Marks : 2×10=20

- (a) Find IRR from the following, the cost of the project is ₹ 11,000, the cash inflows for 4 years are as follows :

Years	Cash inflows
1	6000
2	2000
3	1000
4	5000

- (b) A firm EBIT is ₹ 50,000. The company has ₹ 2,00,000 10% debt. The cost of equity is 12.5%. Find out the overall cost of capital using net income approach.
- (c) The net operating income of a firm is ₹ 50,000, which has 10% debt ₹ 2,00,000, its overall cost of capital is 12.5%. Find out the value of the firm and overall cost of capital using net operating income approach. If the debt is replaced by equity.

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IV Semester 5 Yrs. B.B.A. LL.B. Examination, March/April 2021
FINANCIAL MANAGEMENT

Duration : 3 Hours

Max. Marks :100

- Instructions :**
1. Answer Q. No. 9 and any five of the remaining questions.
 2. Q. No. 9 carries 20 marks and the remaining questions carry 16 marks each.
 3. Answer should be written in English completely.

Marks : 4×16=64

Q. No. 1. Following are the details of Enkay Ltd.

Types of Capital	Book Value	Market Value	Specific Cost
Debt	4,00,000	3,80,000	5%
Pref. capital	1,00,000	1,10,000	8%
Equity shares	6,00,000	12,00,000	15%
Retained earnings	2,00,000	—	13%
Total	13,00,000	16,90,000	

Determine the weighted average cost of capital using

- 1) Book value weights
- 2) Market value weights.

- Q. No. 2. Define "Dividend policy" and explain its nature. Explain the types of dividend policy with examples. What are the objectives of dividend policy ?
- Q. No. 3. Define cost of capital. Explain the importance of cost of capital. Explain how an empirical evaluation of a model is done.
- Q. No. 4. What are the characteristics of merger and acquisitions ? Explain the reasons for mergers and acquisitions.

P.T.O.



Q. No. 5. What do you mean by inventory management ? What are the different techniques being adopted while managing inventories ? Explain them.

Q. No. 6. Raghavendra Company Ltd. has got ₹ 20,000 to invest. The following proposals are under consideration.

Project	Initial Outlay	Annual Cash flow	Life in years
A	10,000	2,500	5
B	8,000	2,600	7
C	6,000	2,000	6
D	2,000	1,000	2

- Rank these projects in order of their desirability under the payback period method.
- Rank these projects under the net present values index assuming the cost of capital to be 10%.

Q. No. 7. M. Ltd. decides to takeover A Ltd. following are the data available.

	M Ltd.	A Ltd.
No. of shares	4,00,000	3,00,000
EPS	10	8
P/E ratio	6	5
MP of shares	60	40

Exchange ratio is 0.8 shares for every share of A Ltd.

Find out :

- Post merger EPS
- P/E ratio
- MP of shares.



Q. No. 8. Write a short note on **any two** of the following : Marks : 2×8=16

- (a) Explain the salient features of the modern approaches of financial management.
- (b) Financial management of multinational corporations.
- (c) Explain the various factors which are peculiar to multinational corporations.

Q. No. 9. Solve **any two** of the following problems : Marks : 2×10=20

- (a) The net operating income of a firm is ₹ 50,000, which has 10% debt ₹ 2,00,000, its overall cost of capital is 12.5%. Find out the value of the firm and overall cost of capital using Net operating income approach.
If the debt is replaced by equity.
- (b) A company is considering an investment proposal to install new machine at a cost of ₹ 50,000. The facility has a life of 5 years and no salvage value. The tax rate is 35%. Assume the firm uses straight line depreciation for tax purposes.

Year	CFBT	PV Factor
1	10,000	0.909
2	10,692	0.826
3	12,769	0.751
4	13,462	0.683
5	20,382	0.621

Calculate :

- (1) Payback period
- (2) ARR
- (3) IRR
- (4) Net present value @ 10%
- (5) Profitability index @ 10%
- (c) A firm's EBIT is ₹ 50,000, the company has ₹ 2,00,000 10% debt. The cost of equity is 12.5%. Find out the overall cost of capital using Net income approach.



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IV Semester Five Year B.B.A., LL.B. Examination, December 2019
FINANCIAL MANAGEMENT (New/Old)

Duration : 3 Hours

Max. Marks : 100

- Instructions :**
1. Answer Q.No. 9 and **any five** of the remaining questions.
 2. Q. No. 9 carries **20** marks and remaining questions carry **16** marks **each**.
 3. Answer should be written in **English** completely.
 4. **Use** simple calculator.

Q. No. 1. Define Financial Management and explain the responsibilities of Finance Manager.

Q. No. 2. Excellent Co. Ltd. has assets of ₹ 1,60,000 which have been financed with ₹ 52,000 of debt and ₹ 90,000 of equity capital and general reserve of ₹ 18,000. The firm's total profits after interest and tax for the year ended 31st March 2005 were ₹ 13,500. It pays 8% interest on borrowed funds and is in 50% tax bracket. It has 900 equity shares of ₹ 100 each. Selling at market price of ₹ 120 per share. Compute the following :

- i) EPS
- ii) K_e
- iii) K_d
- iv) WACC.

Q. No. 3. What is capital structure ? Explain the theories of capital structure.

Q. No. 4. The finance manager of a company has to advise the Board of Directors on choosing between two compelling project proposals which require an equal investment of ₹ 1,00,000 and are expected to generate cash flows as under ($K = 10\%$).

Year	Project – I (in ₹)	Project – II (in ₹)
1	48,000	20,000
2	32,000	24,000

P.T.O.



3	20,000	36,000
4	Nil	48,000
5	24,000	16,000
6	12,000	8,000

Calculate :

- Pay back period
- Average rate of return
- NPV
- Profitability Index.

Q. No. 5. Explain factors that determine dividend policy of firm.

Q. No. 6. Y Ltd. decides to takeover X Ltd. Following data is available :

	Y Ltd.	X Ltd.
No. of shares	400000	300000
EPS (in ₹)	12	10
P/E Ratio	6	5
MPS (in ₹)	70	50

Exchange ratio is 0.8 shares for every share of X Ltd.

Find out :

- Post Merger EPS
- P/E Ratio
- MPS.

Q. No. 7. What is merger and acquisition ? Explain the types of mergers and acquisitions.

Q. No. 8. Write a short note on **any two** of the following :

- Inventory Management
- Cost of Capital
- Objectives of Financial Management.



Q. No. 9. Answer **any two** of the following :

- (a) Following is the extract from the liability side of Balance Sheet of X Ltd. as on 31-12-2012 :

Paid up capital :	₹
400000 equity shares of Rs. 10 each	40,00,000
Reserve & Surpluses	60,00,000
Loans 15% non convertible debentures	20,00,000
14% Institutional Loans	60,00,000
10% Dividend on equity capital	

With the above information, calculate WACC assuming that the company is in 50% tax bracket.

- (b) From the following information extracted from the books of a manufacturing compute the operating cycle in days and the amount of working capital required.

Period	365 days
Average period of credit allowed by suppliers	16 days
Average total debtors outstanding	₹ 4,80,000
Raw material consumption	₹ 44,00,000
Total production cost (cost of industry)	₹ 1,00,00,000
Total cost of sales (operating cost)	₹ 1,05,00,000
Sales for the year	₹ 1,60,00,000
Value of average stock maintained :	
Raw material	₹ 3,20,000
Work-in-progress	₹ 3,50,000
Finished goods	₹ 2,60,000

- (c) ABC Company Ltd. has got ₹ 20,000 to invest. The following proposals are under consideration :

Project	Initial outlay (in ₹)	Annual cash flow (in ₹)	Life in years
A	10,000	2,500	5
B	8,000	2,600	7
C	5,000	1,200	15
D	10,000	2,400	20
E	5,000	1,150	15
F	6,000	2,400	6
G	3,000	1,500	2

Recommend the suitable proposal for the company.



Fourth Semester 5 Yr. B.B.A.LL.B. Examination, June/July 2019
FINANCIAL MANAGEMENT (Old/New)

Duration : 3 Hours

Max. Marks : 100

- Instructions :** 1) Answer Q. No. 9 and **five** of the remaining questions.
 2) Q. No. 9 carries **20** marks and remaining questions carry **16** marks **each**.
 3) Answers should be written in **English** completely.
 4) Use simple **calculator**.

Q. No. 1. Following are the details regarding the capital structure of a company.

Marks : 16

Sources	Book value	Market value	Specific cost
Debentures	40,000	38,000	10%
Equity shares	60,000	90,000	26%
Preference shares	10,000	11,000	16%
Retained earnings	20,000	30,000	18%

You are required to determine weighted average cost of capital by using

- (i) Book value as weights
 (ii) Market value as weights.

Q. No. 2. Explain the factors determining dividend policy. Marks : 16

Q. No. 3. Explain the factors influencing the working capital requirements. Marks : 16

Q. No. 4. Explain traditional and modigliani propositions under capital structure theories. Marks : 16

Q. No. 5. Explain various factors peculiar to multinational firms. Marks : 16

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- Q. No. 6. A company is planning to invest in a new machine costing Rs. 15,00,000. The cash flows associated with the machine are given below : Marks : 16

Year	Cashflows (Rs.)
1	4,50,000
2	6,00,000
3	7,50,000
4	6,00,000
5	2,00,000

Evaluate the proposal using following criteria :

- (i) Payback period
- (ii) Net present value at 12%
- (iii) Internal rate of return
- (iv) Profitability Index at 12%
- (v) Accounting rate of return.

- Q. No. 7. M Ltd. decides to takeover X Ltd. Following data is available. Marks : 16

	M Ltd.	X Ltd.
No. of shares	4,00,000	3,00,000
EPS	Rs. 12	Rs. 10
P/E ratio	6	5
MP of shares	Rs. 70	Rs. 50

Exchange ratio is 0.8 shares for every of 'X' Ltd. find out :

- (i) Post merger EPS
- (ii) P/E ratio
- (iii) MP of shares.

- Q. No. 8. Write short note on **any two** of the following : Marks : 2×8=16

- (a) Working capital cycle
- (b) Capital Budgeting
- (c) Cost of capital.



Q. No. 9. Solve **any two** of the following problems :

Marks : 2×10=20

- (a) Company issues debentures of Rs. 2,00,000 and realises Rs.1,96,000 after allowing 2% commission to brokers. The debentures carry on interest rate of 10%. The debentures are due for maturity at the end of the 10th year. You are required to calculate the effective cost of debt capital after tax. If the tax is 55%.
- (b) From the particulars given below calculate estimated working capital required for the year 2018.

	Rs.
Credit sales [Avg. Cr. period 6 weeks]	2,60,000
Operating expenses :	
Wages and salaries [1 week's delay]	26,000
Rent and rate [1 week's time]	5,200
Other expenses [1 week's time]	2,600
Stock of finished goods [2 weeks]	52,000
Stock of raw materials [2 weeks]	78,000
Minimum cash balance	10,000

- (c) Explain how empirical evaluation of a model is done.

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IV Semester 5 Year B.B.A.LL.B. (New/Old) Examination, December 2018
FINANCIAL MANAGEMENT

Duration : 3 Hours

Max. Marks : 100

- Instructions :**
1. Answer should be written in **English** completely.
 2. Answer Q. No. **9** and **five** of the remaining questions.
 3. Q. No. **9** carries **20** marks and the remaining questions carry **16** marks **each**.
 4. **Use** simple calculator.

- Q. No. 1. What is financial management ? Explain the objectives of financial management. Marks : 16
- Q. No. 2. What are the factors affecting capital structure of a firm ? Marks : 16
- Q. No. 3. What is dividend policy ? Explain the types of dividend policy. Marks : 16
- Q. No. 4. What is merger ? Explain the reasons for merger. Marks : 16
- Q. No. 5. Following is the capital structure of Sun Ltd. Marks : 16

Sources	Amount (Rs.)	Specific cost
Equity shares of Rs. 10 each	25,00,000	12%
Preference shares of Rs. 10 each	10,00,000	10%
10% debentures of Rs. 10 each	15,00,000	5%

Presently debentures are traded in the market at 98%, preference shares at Rs. 12 per share and equity shares at Rs. 15 per share. Find out weight average cost of capital using book value and market value weights.

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Q. No. 6. From the following information, estimate the working capital requirements of ABC Co. Ltd.

Marks : 16

Particulars	Amount (Rs.)
i) Amount blocked up for stocks :	
a) Stock of finished goods	6,000
b) Stock of stores of materials	10,000
ii) Average credit given :	
a) Inland sales – 8 weeks credit	3,00,000
b) Export sales – 2 weeks credit	80,000
iii) Lag in payments :	
a) Wages – 2 weeks	2,50,000
b) Stock of materials – 2 months	50,000
c) Rent – 6 months	10,000
d) Clerical staff – 1 month	5,000
e) Other expenses – 2 months	50,000
iv) Payment in advance :	
a) Sundry expenses (quarterly)	10,000

Q. No. 7. Shiva Ltd. is planning to invest in a new equipment costing Rs. 80,00,000. The equipment has economic life of 5 years with nil salvage value. The tax rate is 40%, original cost method is used for depreciation.

Marks : 16

Year	CFBT (Before dep. and tax)
1	20,00,000
2	30,00,000
3	40,00,000
4	60,00,000
5	50,00,000

Calculate :

- Payback period.
- Net present value at 15%.
- Profitability index at 15%.
- Accounting rate of return.



Q. No. 8. Write short notes on **any two** of the following : Marks : $2 \times 8 = 16$

- a) Types of Mergers.
- b) Cash Management.
- c) Inventory Management.

Q. No. 9. Solve **any two** of the following problems : Marks : $2 \times 10 = 20$

- a) A company issue Rs. 20,00,000, 10% redeemable debentures at a discount of 5%. The cost of floatation amount will be Rs. 60,000. The debenture are redeemable after 5 years. Calculate before and after tax cost of debt assuming tax rate of 50%.
- b) From the following information, calculate weighted average of cost.
 - i) Equity shares 10,000 of Rs. 10 each
Market price Rs. 15 each
 $K_e = 12\%$.
 - ii) Debentures 10,000 of Rs. 100 each
Market value Rs. 120 each
 $K_d = (\text{after tax}) 11\%$.
- c) From the following information, estimate the amount of working capital by operating cycle method. Taking 360 days in a year.

Sales 10000 units at	Rs. 200 each
Material cost	Rs. 100 per unit
Labour cost	Rs. 50 per unit
Overdraft	Rs. 30 per unit

Customers are given 55 days credit and 50 days credit is taken from suppliers. Raw material for 20 days and finished goods for 15 days are kept in stock. Production cycle period is 20 days.

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Fourth Semester 5 Year B.B.A., LL.B. Examination, June/July 2018
FINANCIAL MANAGEMENT (Old and New Batch)

Duration : 3 Hours

Max. Marks : 100

Instructions : 1. Answer Q. No. 9 and **any five** of the remaining questions.

2. Q. No. 9 carries **20** marks and the rest carry **16** marks each.

3. Answer completely in **English**.

4. **Use** simple calculator.

Q. No. 1. A company is engaged in evaluating an investment project which requires initial cash of Rs. 2,50,000 on equipment. The project's economic life is 10 years and salvage value is Rs. 30,000. It would require current assets of Rs. 50,000. An additional investment of Rs. 60,000 would also be necessary at the end of five years to restore the efficiency of the equipment. This would be written off completely over the last five years. The project is expected to yield annual cash in flow (before tax) of Rs. 1,00,000. The company follows the sum of the years digit method of depreciation. Income tax rate is assumed to be 40%. Should the project be accepted if the minimum required rate of return is 20%. Assume P.Vs of Re. 1 at 20% discount rate.

Marks : 16

Q. No. 2. Define Financial Management. Explain the functions and objectives of Financial Management.

Marks : 16

Q. No. 3. What is dividend policy ? State the various factors affecting dividend policies.

Marks : 16

Q. No. 4. Following are the details regarding the capital structure of a company.

Marks : 16

Source of Capital	Book Value Rs.	Market Value Rs.	Specific Cost
Equity shares	1,20,000	1,80,000	24%
Retained earnings	40,000	60,000	18%

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Preference shares	20,000	22,000	16%
Debentures	80,000	76,000	10%

Calculate the weighted average cost of capital :

- 1) Book value as weights and total cost.
- 2) Market value as weights and total cost.

Q. No. 5. With the help of following information pertaining to Gujarat Company Ltd. for the year ended 31-12-2006, determine the amount of working capital required for the year

Marks : 16

	Rs.
Sales at 3 months credit	40,00,000
Cost of raw materials	15,00,000
Wages paid (15 days time)	10,80,000
Manufacturing overheads (one month delay)	15,00,000
Sales promotions expenses to be paid in advance	1,50,000
Administrative overheads (One month's delay)	6,00,000
Cash balance to be maintained	1,50,000

The suppliers of raw materials allow one month's credit. Raw materials are held in stock for 2 months and finished goods are kept in the warehouse for 1½ months. Margin for contingencies to be provided at 15% Gross Profit is 20% of sales.

Q. No. 6. A Ltd. wishes to acquire B Ltd. on the basis of an exchange ratio of 0.8. The financial data is as follows.

Marks : 16

	A Ltd. (Rs.)	B Ltd. (Rs.)
Earnings after taxes	3,00,000	60,000
Equity shares outstanding	1,50,000	6,000
Market price per share	20	8

Calculate :

- (a) Combined firm EPS
- (b) Combined firm P/E Ratio
- (c) Combined firm MPS.



Q. No. 7. What do you mean by 'Mergers' ? Explain the different types of mergers and benefits of 'mergers'. Marks : 16

Q. No. 8. Write short notes on **any two** of the following : Marks : 2×8=16

- (a) Working capital management
- (b) Cash management
- (c) Capital budgeting.

Q. No. 9. Solve **any two** of the following problems. Marks : 10×2=20

- (a) X Ltd. is considering the purchase of a machine. Two machines A and B are available each costing Rs. 50,000. Cost of capital is (discount rate) 10% cash flows earnings after tax are expected to be as follows.

Year	Machine A	Machine B
1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

Calculate :

- 1) Pay back period
- 2) NPV
- 3) Profitability Index.

- (b) A 5 years debenture of Rs. 100 of a company can be sold for a Net Price of Rs. 96.50. The coupon rate of interest is 14% p.a. and the debenture is redeemable at 5% premium on maturity. The tax rate is 40%. Compute cost of debt before and after tax.

- (c) Cost of project is Rs. 60,000 and is expected to generate annual cash inflow of Rs. 24,000 for 4 years. Calculate Internal Rate of Return (IRR).