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6017/7017

Fourth Semester 5 Yr. B.B.A. LL.B./B.Com. LL.B. Examination, June/July 2025 (Even Sem.)
FINANCIAL MANAGEMENT

Duration : 3 Hours Max. Marks : 80

Instructions :
1. **Answer all five Units.**
2. **One essay type question and short note/problems is compulsory from each Unit.**
3. **Use simple calculator only.**

UNIT – I

Q. No. 1. (a) Following is the capital structure of a company. Marks : 10

Sources	**Amount**	**Specific Cost**
Equity share of Rs. 10 each	35,00,000	12%
Preference share of Rs. 10 each	20,00,000	10%
10% Debenture of Rs. 100 each	15,00,000	5%

Presently debentures are traded in the market at Rs. 9, preference shares at Rs. 15 per share and equity shares at Rs. 12 per share. Compute weighted average cost of capital using book value and market value weights.

OR

(a) A company issue Rs. 2,00,000 debentures which is redeemable after 10 years. If the debentures is issued Marks : 10

i) at par

ii) at a discount of 5%

iii) at premium of 10%

Calculate the cost of debenture before tax and after tax. Assume the tax rate as 50% and interest rate at 10%.

Q. No. 1. (b) Write a short on cost of capital. Marks : 6

OR

(b) Write a short on capital asset pricing model. Marks : 6

UNIT – II

Q. No. 2. (a) Explain the factors affecting capital structure of a firm. Marks : 10

OR

(a) Explain the Modigliani-Miller (MM) Theory of Dividend. Marks : 10

Q. No. 2. (b) Write a short note on Dividend Policy. Marks : 6

OR

(b) Write a short note on Traditional Theory of capital structure. Marks : 6

P.T.O.

UNIT – III

Q. No. 3. (a) From the following information prepare a statement showing the estimated working capital requirements of a firm. Marks : 10

Budgeted sales Rs. 52,00,000 per annum.

Analysis per unit of sales	Amount (in Rs.)
Raw materials	25
Direct labour	45
Overhead	20
Cost of sales	90
Profit	10
Selling price	100

It is estimated that

i) Raw materials will be carried in a stock for two weeks and finished goods for three weeks.

ii) Factory processing will takes four weeks.

iii) Suppliers will give four weeks of credit and customers requires seven weeks of credit.

It may be noted that production and overhead arise evenly throughout the year.

OR

(a) Explain the determinants of working capital. Marks : 10

Q. No. 3. (b) Write a short note on inventory management. Marks : 6

OR

(b) Write a short note on cash management. Marks : 6

UNIT – IV

Q. No. 4. (a) Rank the following projects in order of their desirability according to the pay-back period method and net present value method (Discount rate 10%) Marks : 10

Project	Initial outlay	Annual cash flow	Life in years
A	10,000	2,500	5
B	8,000	2,600	7
C	4,000	1,000	15
D	10,000	2,400	20
E	5,000	1,125	15
F	6,000	2,400	6
G	2,000	1,000	2

OR

(a) A company is considering all investment proposal to install new machine at a cost of Rs. 1,00,000. The facility has a life of 5 years and no salvage value. The tax rate is 35%. Assume the firms use straight line method of depreciation for tax purpose. Marks : 10

Year	CFBT	PV factor
1	20,000	0.909
2	40,000	0.826
3	50,000	0.751
4	30,000	0.683
5	20,000	0.621

Calculate :

i) Pay back period

ii) ARR

iii) Net present value @ 10%

iv) Profitability index @ 10%.

Q. No. 4. (b) Write a short on financial management of multinational corporation. Marks : 6

OR

(b) Write a short on capital structure of MNCs. Marks : 6

UNIT – V

Q. No. 5. (a) S Ltd. is acquiring P Ltd. The shareholders of T Ltd. would receive 0.8 shares of S Ltd. for each share held by them. The merger is not expected to yield in economies of scale and operating synergy. The relevant data for the two companies are as follows. Marks : 10

Particulars	S Ltd.	P Ltd.
Net sales (Rs. crore)	1,400	500
Profit after tax (Rs. crore)	240	50
Number of shares (crore)	48	12
Earning per share (₹)	9	8
Market value per share	60	40
Pricing earning ratio	6.21	5

For the combined company (after merger) you are required to calculate :

a) EPS

b) P/E ratio

c) Market value per share.

OR

(a) The XYZ Ltd. wants to acquire ABC Ltd. by exchanging its 1.6 shares for every share of ABC Ltd. It anticipates to maintain the existing P/E ratio subsequent to merger also. The relevant financial data are furnished below. Marks : 10

	XYZ Ltd.	ABC Ltd.
Earnings after taxes (EAT) (Rs.)	15,00,000	4,50,000
Number of equity shares outstanding	3,00,000	75,000
Market price per share (Rs.)	35	40

a) What is the exchange ratio based on market prices ?

b) What is the pre-merger EPS and the P/E ratio for each company.

c) What was the P/E ratio used in acquiring ABC Ltd.

d) What is EPS of XYZ Company after the acquisition ?

e) What is the expected market price per share of the merged company ?

Q. No. 5. (b) Write a short note on types of merger. Marks : 6

OR

(b) Write a short note on reasons for merger and acquisitions. Marks : 6

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Fourth Semester 5 Years B.B.A.LL.B./B.Com.LL.B. Examination, January/February 2025 (Odd Sem.)
FINANCIAL MANAGEMENT

Duration : 3 Hours Max. Marks : 80

Instructions : 1. Answer any five questions from group (a). Each question carries 10 marks.
2. Answer any five questions from group (b). Each question carries 6 marks.
3. Answers should be written only in English.

UNIT – I

Q. No. 1. a) Sri company has on its book, the following capital structure. Marks : 10

	₹
Equity share	40,00,000
6% preference share	10,00,000
8% debentures	30,00,000
Total	**80,00,000**

Market price of equity share is ₹ 20. It is expected that the company will pay dividend of ₹ 2 per share which will grow at 7%. The tax rate may be presumed at 40%.

a) Calculate WACC on existing structure.

b) Calculate the new WACC when the Co. raises an addition of ₹ 20,00,000 debt by issuing 10% debentures. This would increase the expected dividend to ₹ 3 and leave growth rate unchanged but price of share will fall to ₹ 15 per share.

OR

Q. No. 1. a) Following are the details regarding capital structure of Tara Co. Ltd. Marks : 10

Sources	**Book value** ₹	**Market value** ₹	**Specific cost**
Debentures	4,00,000	3,80,000	5%
Equity shares	6,00,000	12,00,000	15%
Preference shares	1,00,000	1,10,000	8%
Retained earnings	2,00,000	–	13%

You are required to calculate weighted average cost of capital using :

a) Book value as weights

b) Market value as weights.

P.T.O.

Q. No. 1. b) Write a short on Sharpe Litner model. Marks : 6

OR

Q. No. 1. b) Write a short note on cost of capital. Marks : 6

UNIT – II

Q. No. 2. a) Define "Dividend policy" and explain the types of dividend policy with examples. Marks : 10

OR

Q. No. 2. a) A company belongs to a risk class for which the appropriate discount rate is 10%. It currently has 25000 outstanding shares selling at ₹ 100 each. The firm is contemplating a dividend payment of ₹ 5 per share at the end of current financial year. It expects to have a net income of ₹ 2,50,000 and a proposal for making new investments of ₹ 5,00,000. Show that under the Modigliani and Miller's assumptions. The payment of dividend does not affect the value of the firm. Marks : 10

Q. No. 2. b) Define capital structure. Explain the factors determining capital structure. Marks : 6

OR

Q. No. 2. b) Write a short note on :

Traditional approach of dividend policy. Marks : 6

UNIT – III

Q. No. 3. a) A proforma cost sheet of a manufacturing company provides the following particulars. Marks : 10

Elements of cost	**per unit ₹**
Raw materials	8
Direct labour	3
O/H (exclusive depreciation)	6
Total	17

The following further particulars are available :

Selling price	₹ 20 per unit
Level of activity	₹ 1,04,000 units of output per annum (52 weeks)
Raw materials in stock	on an average 4 weeks
Processing time	on an average 2 weeks
Finished goods in store	on an average 4 weeks
Credit period :	
a) Customers	on an average 8 weeks
b) Suppliers of materials	on an average 4 weeks

Lag in payment :

a) Wages on an average 1½ weeks

b) Overhead expenses on an average 2 weeks

75% of the output is sold on credit basis. Cash on hand and at bank is expected to be ₹ 5,000.

You are required to prepare a statement showing the working capital requirements.

OR

Q. No. 3. a) Define working capital management. Explain the importance of working capital. Marks : 10

Q. No. 3. b) Write a short note on working capital cycle. Marks : 6

OR

Q. No. 3. b) Write a short note on inventory management. Marks : 6

UNIT – IV

Q. No. 4. a) ABC Ltd. is considering an investment proposal to install a new machine at a cost of ₹ 1,00,000. The machine has expected life of 5 years and no salvage value. The Co. pays 40% tax. The cash flows before depreciation and tax are as under : Marks : 10

Year	Cash flow (CFBDT) ₹	PV factor 10% discount
1	15,000	0.909
2	16,000	0.826
3	18,500	0.751
4	26,600	0.683
5	27,000	0.621

Calculate :

a) Average rate of return

b) NPV at 10% discount rate

c) Profitability index at 10% discount rate.

OR

Q. No. 4. a) A company is considering to purchase a machine from two available machines A and B are each costing ₹ 2,50,000. In comparing the profitability of the machines, a discounting rate of 10% is to be used and machine is to be written off in five years by straight line method of depreciation cash inflows after tax are expected as under.

Year	Machine A	Machine B
	₹	₹
1	3,00,000	50,000
2	4,00,000	1,50,000
3	5,00,000	2,00,000
4	3,00,000	3,00,000
5	2,00,000	2,00,000

Indicate which machine would be profitable using
a) NPV method
b) Profitability index method
c) ARR. Marks : 10

Q. No. 4. b) What is capital budgeting ? Explain the process of capital budgeting. Marks : 6

OR

Q. No. 4. b) Write a short note on MNC working capital management. Marks : 6

UNIT – V

Q. No. 5. a) What do you mean by merger and acquisition ? Discuss the different types of merger. Marks : 10

OR

Q. No. 5. a) Milan Co. wants to acquire Megha Co. by exchange of its shares on 1 : 1 basis. The following financial information is available before announcement of Merger. Marks : 10

Particulars	Megha Co.	Milan Co.
Earning per share	2	2
Market price per share	40	20
Price earning ratio	20	10
No. of shares (₹ 000)	400	400
Profit after tax (₹ 000)	800	800
Total market value (₹ 000)	16,000	8,000

Calculate after merger :
a) EPS after merger
b) P/E ratio
c) MPS.

Q. No. 5. b) Write a short note on reasons for merger. Marks : 6

OR

Q. No. 5. b) Write a note on companies recently merged (list of any 6 companies merged). Marks : 6

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IV Semester 5 Year B.B.A.LL.B./B.Com.LL.B. (Even Sem.)
Examination, August/September 2024
FINANCIAL MANAGEMENT

Duration : 3 Hours Max. Marks : 80

Instructions : 1. Answer all five Units.
2. One essay type question and short note/problems is compulsory from each Unit.
3. Figures to the right indicate marks.
4. Answer should be written in English only.

UNIT – I

Q. No. 1. a) A company has on its books the following amount and specific cost of each type of capital. Marks : 10

Type of Capital	**Book Value ₹**	**Market Value ₹**	**Specific Cost%**
Debt	4,00,000	3,80,000	5
Preference shares	1,00,000	1,10,000	8
Equity shares	6,00,000	12,00,000	15
Retained earnings	2,00,000	–	13

Determine the WACC using book value and market value weights.

OR

Q. No. 1. a) Calculate the cost of capital in the following cases. Marks : 10

i) A 5 year ₹ 100 debenture of a firm can be sold for a net price of ₹ 96.50. The coupon rate of interest is 14% per annum and the debenture will be redeemed at 5% premium on maturity. The firm's tax is 40%.

ii) A company issues preference shares of face value ₹ 50 each carrying 14% dividend and realises ₹ 42 per share. The shares are repayable after 12 years at par.

Q. No. 1. b) Explain the importance of cost of capital. Marks : 6

OR

Q. No. 1. b) Define financial management. Explain the scope of financial management. Marks : 6

P.T.O.

UNIT – II

Q. No. 2. a) i) A Co. expects a net income of ₹ 1,00,000. It has ₹ 2,50,000, 8% debentures. The equity capitalization rate of the company is 10%. Calculate the value of the firm and overall capitalization rate according to the net income approach (ignoring income tax). Marks : 10

ii) If the debenture debts are increased to ₹ 4,00,000, what shall be the value of the firm and the overall capitalization rate ?

OR

Q. No. 2. a) Define dividend policy. Explain the factors determining dividend policy. Marks : 10

Q. No. 2. b) Write a note on Modigliani and Miller approach of capital structure. Marks : 6

OR

Q. No. 2. b) Explain the objectives of dividend policy. Marks : 6

UNIT – III

Q. No. 3. a) A cost sheet of a company provides the following particulars. Marks : 10

Elements of cost	Amount (per Unit)
	₹
Raw Materials	140
Direct Labours	60
Overheads	70
Total cost	270
Profit	30
Selling price	300

Further particulars available are

* Raw Materials 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 an average for one month.
* Credit allowed by suppliers is one month.
* Credit allowed to customers is two months.
* Lag in payment of wages is 1.5 weeks.
* Lag in payment of overhead expenses is one month.
* ¼ of the output is sold against cash.
* Cash in hand and at bank is expected to be ₹ 50,000.

You are required to prepare a statement showing the working capital needed to finance, a level of activity of 2,40,000 units of production.

You may assume that production is carried on evenly throughout the year. Wages and overhead accrue similarly and a time period of 4 weeks is equivalent to a month.

OR

Q. No. 3. a) You are given the following estimates and are instructed to add 10% margin for contingencies. Marks : 10

		₹
i)	Amount blocked up for stocks :	
	Stocks of finished product	5,000
	Stocks of stores, materials etc.	8,000
ii)	Average credit given :	
	Inland sales – 6 weeks credit	3,12,000
	Export sales – 1½ weeks credit	78,000
iii)	Lag in payment of wages and other outgoings :	
	Wages – 1½ weeks	2,60,000
	Stocks of materials etc-1½ months	48,000
	Rent, royalties etc – 6 months	10,000
	Clerical staff-½ month	62,400
	Manager-½ month	4,800
	Miscellaneous expenses-1½ month	48,000
iv)	Payment in advance	
	Sundry expenses (paid quarterly in advance)	8,000
v)	Undrawn profit on the average throughout the year	11,000

Compute the amount of working capital required.

Q. No. 3. b) Write a short note on types of working capital. Marks : 6

OR

Q. No. 3. b) Write a note on receivable management. Marks : 6

UNIT – IV

Q. No. 4. a) Calculate IRR for the following data. Marks : 10

		Project
Cost		22000
Cash inflows		
Year	1	12,000
	2	4,000
	3	2,000
	4	10,000

OR

Q. No. 4. a) From the following information, calculate NPV @ 10% p.a. pay back period and profitability index. Marks : 10

Initial outlay ₹ 1,00,000
Estimated life 5 years
Scrap value ₹ 10,000

Profit after tax before depreciation.

Year	
1	6000
2	14000
3	24000
4	16000
5	Nil

The discount factor @ 10%.

Year	
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

Q. No. 4. b) Write a note on capital structure of MNC's. Marks : 6

OR

Q. No. 4. b) Write a short note on importance of capital budgeting. Marks : 6

UNIT – V

Q. No. 5. a) XYZ Ltd. is considering merger with ABC Ltd. Marks : 10

Particulars	**XYZ**	**ABC**
EAT (₹)	4,00,000	1,00,000
No. of shares (₹)	2,00,000	1,00,000
Market price	25	12.5
EPS	2	1

i) What is the pre-merger, EPS and PE ratios of both the company ?
ii) If ABC Ltd.'s PE ratio is 8, what is its current market price ?
iii) What must be exchange ratio for XYZ Ltd.'s pre and post-merger EPS to be the same ?

OR

Q. No. 5. a) Explain various types of merger and acquisition. Marks : 10

Q. No. 5. b) State the reasons for merger. Marks : 6

OR

Q. No. 5. b) Explain the process of acquisition. Marks : 6

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

Duration : 3 Hours Max. Marks : 80

Instructions : 1. Answer all five Units.
2. One essay type question and short note/problems is compulsory from each Unit.
3. Figures to the right indicate marks.
4. Answer should be written in English completely.
5. Use simple calculator only.

UNIT – I

Q. No. 1. a) What is financial management ? Explain the objectives of financial management. Marks : 10

OR

Q. No. 1. a) Following are the details regarding the capital structure of a company. Marks : 10

Sources	Book Value	Market Value	Cost
Debentures	8,00,000	7,60,000	10%
Preference shares	2,00,000	2,20,000	15%
Equity shares	12,00,000	18,00,000	30%
Retained earnings	4,00,000	6,00,000	15%

You are required to determine the weighted average cost of capital using (a) Book value as weights (b) Market value as weights.

Q. No. 1. b) Write a short note on CAPM. Marks : 6

OR

Q. No. 1. b) Write a short note on factors affecting weighted average cost of capital. Marks : 6

P.T.O.

UNIT – II

Q. No. 2. a) Explain various factors affecting dividend policy. Marks : 10

OR

Q. No. 2. a) A Ltd. has currently an all equity capital structure consisting of 15,000 equity shares of Rs. 100 each. The management is planning to raise another Rs. 25 lakhs to finance a major programme of expansion and is considering three alternative methods of financing : Marks : 10

i) To issue 25,000 equity shares of Rs. 100 each.

ii) To issue 25,000, 8% debentures of Rs. 100 each.

iii) To issue 25,000, 8% preference shares of Rs. 100 each.

The company's expected earnings before interest and taxes will be Rs. 8 lakhs. Assuming a corporate tax rate of 50%, determine the Earnings Per Share (EPS) in each alternative and comment which alternative is best and why?

Q. No. 2. b) Write a short note on MM approach under capital structure theory. Marks : 6

OR

Q. No. 2. b) Write a short note on MM approach of dividend policy. Marks : 6

UNIT – III

Q. No. 3. a) Explain the factors influencing the working capital requirements. Marks : 10

OR

Q. No. 3. a) The Board of Directors of Sourav Co. Ltd. requests you to prepare a statement showing the working capital requirements forecast for a level of activity of 72,000 units of production p.a. The following information is available for your calculations. Marks : 10

Particulars	**Per Unit**
Raw material	90
Direct labour	40
Overheads	75
Total cost	205
Profit	60
Selling price per unit	265

1) Raw materials are in stock, on average 1 month.
2) Finished goods are in stock, on average 1 month.
3) Credit allowed by suppliers, 1 month.
4) Time lag in payment from debtor, 2 months.
5) Lag in payment of wages, ½ month.
6) Lag in payment of overheads, 1 month 20% of the output is sold against cash. Cash in hand and at bank is expected to be Rs. 30,000. It is to be assumed that production is carried out evenly throughout the year.

Q. No. 3. b) Write a short note on motives of holding inventories. Marks : 6

OR

Q. No. 3. b) Write a short note on operating cycle. Marks : 6

UNIT – IV

Q. No. 4. a) Explain various factors peculiar to MNC. Marks : 10

OR

Q. No. 4. a) A US MNC is planning to install a manufacturing unit to produce 50,000 units of an automobile component in India. This involves an investment outlay of Rs. 50,00,000. The plant is expected to have a useful life of 5 years with Rs. 10,00,000 salvage value. MNC will follow the Straight Line Method of depreciation. To support running of business, working capital of Rs. 5,00,000 will have to be invested, variable cost of production will be Rs. 20/Unit. Fixed cost per annum is estimated at Rs. 2 million. The forecasted selling price is Rs. 70 per unit. The MNC will be subjected to 40% tax in India. The required rate of return is 15%. It is forecasted that the rupee will depreciate in relation to US \$ @ 3% p.a. with an initial exchange rate of Rs. 48 per \$. Advise the MNC regarding the financial viability of the project. Marks : 10

Q. No. 4. b) Write a short note on international capital budgeting. Marks : 6

OR

Q. No. 4. b) Write a short note on Management of working capital by an MNC. Marks : 6

UNIT – V

Q. No. 5. a) Explain merger and acquisition. Explain various reasons behind merger. Marks : 10

OR

Q. No. 5. a) Firm A is studying the possible acquisition of Firm B by way of merger. The following data are available in respect of the firms. Marks : 10

Particulars	**Firm A**	**Firm B**
Earnings after tax	2,00,000	60,000
No. of equity shares	40,000	10,000
Market value per share	15	12

Case 1 : If the merger goes through by exchange of equity shares and exchange ratio is based on the current market price. What are the new earnings per share for Firm A ?

Case 2 : Firm B wants to be sure that if earnings available to the shareholder will not be demounted by the merger.

Case 3 : What should be the exchange ratio in that case ?

Q. No. 5. b) Write a short note on types of merger. Marks : 6

OR

Q. No. 5. b) Benefits of merger. Marks : 6

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

Duration : 3 Hours Max. Marks : 80

Instructions : **1. Answer all five Units.**
2. One essay type question and short note/problem is compulsory from each Unit.
3. Figures to the right indicate marks.
4. Answers should be written in English only.

UNIT – I

Q. No. 1. (a) The following is the capital structure of Rithu Ltd. Marks : 10

Source	**Amount (Rs.)**	**Specific C/c**
Equity share capital (20000 shares of Rs. 10 each)	Rs. 2,00,000	11 %
Preference share capital (50000 shares of Rs. 10 each)	Rs. 5,00,000	8 %
Retained earnings	Rs. 10,00,000	11 %
Debt of Rs. 1,000 each	Rs. 15,00,000	4.5 %

Presently, the debentures are being traded at 94%, preference shares at par and the equity shares at Rs. 13 per share. Find out the WACC based on book value weights and market value weights.

OR

Q. No. 1. (a) Calculate the cost of capital in the following cases : Marks : 10

(i) A Ltd. issues 12 % debentures of face value Rs. 100 each and realizes Rs. 95 per debenture. The debentures are redeemable after 10 years at a premium of 10 %.

(ii) B Ltd. issues preference shares of face value Rs. 100 each carrying 14 % dividend and he realizes Rs. 92 per share. The shares are repayable after 12 years at par.

Note : Both companies are paying income tax at 50 %.

Q. No. 1. (b) Define Financial Management. Explain its scope. Marks : 6

OR

Q. No. 1. (b) Write a note on CAPM. Marks : 6

UNIT – II

Q. No. 2. (a) Compute the market value of the firm. Value of shares and the average cost of capital from the following information :

Net operating income Rs. 1,00,000

Total Investment Rs. 5,00,000

Equity capitalization rate :

(a) If the firm uses no debt 10 %.

(b) If the firm uses Rs. 2,50,000 debentures 11 %.

(c) If the firm uses Rs. 4,00,000 debentures 13 %.

Assume that Rs. 2,50,000 debentures can be raised at 6 % rate of interest where-as Rs. 4,00,000 debentures can be raised at 7 % rate of interest. Marks : 10

OR

Q. No. 2. (a) ABC Ltd. has Earnings Before Interest and Taxes (EBIT) of Rs. 4,00,000. The firm currently has outstanding debt of Rs. 15,00,000 at an average cost, cost of debt of 10 %. Its cost of equity capital is estimated to be 16 %.

(i) Determine the current value of the firm using the Traditional Valuation approach.

(ii) Determine the firms overall capitalization rate.

(iii) The firm is considering to issue capital of Rs. 5,00,000 in order to redeem Rs. 5,00,000 debt. The cost of debt is expected to be unaffected. However, the firm's cost of equity capital is to be reduced to 14 % as a result of decrease in leverage. Would you recommend the proposed action? Marks : 10

Q. No. 2. (b) Define capital structure. Explain the factors determining capital structure. Marks : 6

OR

Q. No. 2. (b) Write a note on Modigliani and Miller Approach. Marks : 6

UNIT – III

Q. No. 3. (a) The following information is available for Swagat Ltd.

Particulars	**(Rs. Million)**
Average stock of raw materials and stores	200
Average work-in-process inventory	300
Average finished goods inventory	180
Average accounts receivable	300
Average accounts payable	180
Average raw material and stores purchase on credit and consumed per day	10
Average sales per day	20
Average cost of goods sold per day	18
Average work-in-process value of raw materials committed per day	12.5

You are required to calculate the duration of :

(i) Raw material stage

(ii) Work-in-progress stage

(iii) Finished goods stage

(iv) Accounts receivable stage

(v) Accounts payable stage and

(vi) The operating cycle. Marks : 10

OR

Q. No. 3. (a) Sagar Ltd. desires to purchase a business and has consulted you and one point on which you are to advise them is the average amount of working capital which will be required in the first year's working.

You have given the following estimates and instructed to add 10 % to your computed figure to allow for contingencies.

	Figures for the year (Rs.)
(i) Amount blocked up for stocks :	
Stocks of finished product	3,000
Stocks of stores, materials etc.	5,000
(ii) Average credit given :	
Inland sales – 4 weeks credit	26,000
Export sales – 1½ week credit	65,000
(iii) Lag in payment of wages and other outputs :	
Wages – 1½ weeks	2,40,000
Stocks of materials etc. – 1½ months	36,000
Rent, Royalties, etc. – 4 months	8,000
Clerical staff – 1½ months	60,000
Manager – ½ month	4,000
Miscellaneous expenses – 1½ month	36,000
(iv) Payment in advance :	
Sundry expenses (Paid quarterly in advance)	6,000
(v) Undrawn profit on the average throughout the year	9,000

State your calculation for the average amount of working capital required. Marks : 10

Q. No. 3. (b) Write a note on Receivable Management. Marks : 6

OR

Q. No. 3. (b) Write a note on Inventory Management. Marks : 6

UNIT – IV

Q. No. 4. (a) A company has to consider the following project :

Cost	Rs. 10,000
Cash inflows (year)	Rs.
1	1,000
2	1,000
3	2,000
4	10,000

Compute the Inter Rate of Return (IRR) and comment on the project if the opportunity cost is 14%. Marks : 10

OR

Q. No. 4. (a) A company is considering the replacement of its existing machine which is obsolete and unable to meet the rapidly rising demand for its product. The company is faced with two alternatives :

(i) to buy Machine A which is similar to the existing machine or

(ii) to go in for Machine B which is more expensive and it has much greater capacity. The cash flows at the present level of operations under the two alternatives are as follows :

Year	Machine A	Machine B
0	– 25	– 40
1	Nil	10
2	5	14
3	20	16
4	14	17
5	14	15

The company's cost of capital is 10 %. The Finance Manager tries to evaluate the machines by calculating the following :

(i) Net present value

(ii) Profitability index

(iii) Payback period and

At the end of his calculations, however the Finance Manager is unable to make up his mind as to which machine to recommend.

You are required to make these calculation and in the light thereof to advise the finance manager about the proposed investment. Marks : 10

Q. No. 4. (b) Write a note on capital structure of MNCs. Marks : 6

OR

Q. No. 4. (b) Write a note on factors determining MNC's dividend policy. Marks : 6

UNIT – V

Q. No. 5. (a) B Co., is being acquired by A Co., on a share exchange basis their selected data are as follows :

Particulars	A	B
PAT (Rs. lakh)	56	21
No. of shares (lakh)	10	8.4
EPS (Rs.)	5.6	2.5
Price-earnings ratio	12.5	7.5

Determine :

(i) Pre-merger, market value per share and

(ii) The maximum exchange ratio A Co., should offer without the dilution of

(a) EPS

(b) Market value per share. Marks : 10

OR

Q. No. 5. (a) P Ltd. wants to takeover Q Ltd. and the financial details of both are as follows :

	P Ltd. (Rs.)	Q Ltd. (Rs.)
Preference share capital	20,000	–
Equity share capital of Rs. 10 each	1,00,000	50,000
Share premium	–	2,000
Profit and Loss A/c	38,000	4,000
10 % Debentures	15,000	5,000
	1,73,000	**61,000**
Fixed Assets	1,22,000	35,000
Current Assets	51,000	26,000
	1,73,000	**61,000**
Profit after tax and preference dividend	24,000	15,000
Market price	24	27

What should be share exchange ratio to be offered to the shareholders of Q Ltd., based on

(i) Net Assets value

(ii) EPS and

(iii) Market price

Which should be preferred from the point view of P Ltd. ? Marks : 10

Q. No. 5. (b) Explain the stages involved in merger and acquisition. Marks : 6

OR

Q. No. 5. (b) What is merger and acquisition ? Explain the types of merger. Marks : 6

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

Duration : 3 Hours Max. Marks : 80

Instructions : 1. Answer all five Units.

2. One essay type question and short note/problems is compulsory from each Unit.

3. Figures to the right indicate marks.

4. Answer should be written in English only.

UNIT – I

Q. No. 1. (a) The capital structure of Finetech Ltd. is as under : Marks : 10

	₹
9% Debentures of ₹ 100 each	5,50,000
11% Preference shares of ₹ 100 each	4,50,000
Equity shares of ₹ 10 per share	10,00,000
	20,00,000

Additional Information :

(i) ₹ 100 per debenture redeemable at par has 2% floatation cost and 10 years of maturity. The market price per debenture is ₹ 105.

(ii) ₹ 100 per preference share redeemable at par has 3% floatation cost and 10 years of maturity. The market price per preference share is ₹ 106.

(iii) Equity share has market price per share of ₹ 20. The next year's expected dividend is ₹ 2 per share with annual growth of 5%. The firm has a practice of paying the earnings in the form of dividends.

(iv) Corporate income tax rate is 35%.

You are required to calculate :

(a) Cost of each source of capital.

(b) Weighted average cost of capital using market value weights.

OR

Q. No. 1. (a) A firm has the following capital structure and after tax costs for the different sources of funds. Marks : 10

Source of funds	Book value (₹)	Market value (₹)	After tax Cost (%)
Debt	15,00,000	15,00,000	5
Preference shares	12,00,000	12,00,000	10
Equity shares	18,00,000	54,00,000	12
Retained earnings	15,00,000	–	11
Total	**60,00,000**	**81,00,000**	

Compute the weighted average cost of capital :

(i) On the basis of book value

(ii) On the basis of market value.

Q. No. 1. (b) Write short notes on : Marks : 6

Significance of cost of capital.

OR

Q. No. 1. (b) Problems in determination of cost of capital. Marks : 6

UNIT – II

Q. No. 2. (a) A company's capital structure consists of the following : Marks : 10

	₹
Equity share of ₹ 100 each	20,00,000
Retained earnings	10,00,000
9% Preference shares	12,00,000
7% Debentures	8,00,000
Total	**50,00,000**

The company earns 12% on its capital. The income-tax rate is 50%. The company requires a sum of ₹ 25,00,000 to finance its expansion programme for which the following alternatives are available to it.

(i) Issue of 20,000 equity shares at a premium of ₹ 25 per share.

(ii) Issue of 10% preference shares.

(iii) Issue of 8% debentures.

It is estimated that the P/E ratios in the cases of equity, preference and debenture financing would be 21.4, 17 and 15.7 respectively.

Which of the three financing alternatives would you recommend and why ?

OR

Q. No. 2. (a) What are the factors that influence dividend policy ? Marks : 10

Q. No. 2. (b) Write a short note on : Marks : 6

MM Approach under capital structure theory.

OR

Q. No. 2. (b) Explain the types of dividend policy. Marks : 6

UNIT – III

Q. No. 3. (a) You are given the following estimates and are instructed to add 10% margin for contingencies. Marks : 10

		₹
(i)	Amount blocked up for stocks :	
	Stocks of finished product	5,000
	Stocks of stores, materials etc.	8,000
(ii)	Average credit given :	
	Inland sales – 6 weeks credit	3,12,000
	Export sales – 1½ weeks credit	78,000
(iii)	Lag in payment of wages and other outgoings :	
	Wages – 1½ weeks	2,60,000
	Stocks of materials, etc. – 1½ months	48,000
	Rent, Royalties etc. – 6 months	10,000
	Clerical staff – ½ month	62,400
	Manager – ½ month	4,800
	Miscellaneous expenses – 1½ month	48,000
(iv)	Payment in advance :	
	Sundry expenses (paid quarterly in advance)	8,000
(v)	Undrawn profit on the average throughout the year	11,000

Compute the amount of working capital required.

OR

Q. No. 3. (a) Prepare an estimate of working capital requirement from the following information. Marks : 10

(i) Projected Annual sales 120000 units.

(ii) Selling price ₹10 per unit.

(iii) Percentage net profit on sales 30%.

(iv) Average credit period allowed to customers – 10 weeks.

(v) Average credit period allowed to suppliers – 5 weeks.

(vi) Average stock holding in terms of sales requirement – 5 weeks.

(vii) Allow 15% for contingencies.

Q. No. 3. (b) Write a short note on : Marks : 6

Types of working capital.

OR

Q. No. 3. (b) Dangers of inadequate working capital. Marks : 6

UNIT – IV

Q. No. 4. (a) A company is considering to purchase a machine.

Two machines are available X and Y costing ₹ 50,000. Marks : 10

Earnings after taxation are expected to be as follows :

Estimated cash flows :

Years	**Machine X** (₹)	**Machine Y** (₹)
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

Evaluate the two alternatives according to :

(i) Payback period method.

(ii) Net present value method (cost of capital 10%). Assume straight line method of depreciation.

The discount factor is as under :

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

OR

Q. No. 4 (a) India Pharma Ltd., an Indian based multinational company is evaluating an overseas investment proposal. India Pharma's exports of pharmaceuticals products have increased to such an extent that it is considering a project to build a plant in the US. The project will entail an initial outlay of \$ 100 million and is expected to generate the following cash flows over its four year life. Marks : 10

Year	Cash flow (in million)
1	\$ 30
2	\$ 40
3	\$ 50
4	\$ 60

The current spot exchange rate is ₹ 70 per US dollar, the risk-free rate in India is 8% and the risk-free rate in US is 3% – these are rates observed in financial markets.

India Pharma's required rupee return on a project of this kind is 15%.

Calculate NPV of the project.

Q. No. 4 (b) Write short notes on : Marks : 6

Financial Management of Multinational Corporations.

OR

Q. No. 4 (b) Management Accounting by Multinational Firms. Marks : 6

UNIT – V

Q. No. 5. (a) Company X is considering the purchase of Company Y. The following are the financial data of the two companies : Marks : 10

	Company X	Company Y
Number of shares	4,00,000	1,00,000
Earnings Per Share (EPS)	₹ 6	₹ 4.50
Market value per share	₹ 30	₹ 20

Assuming that the management of the two companies have agreed to exchange shares in proportion to :

(i) The relative earnings per share of the two firms.

(ii) 4 shares of Company X for every 5 shares held in Company Y.

Illustrate and comment on the impact of merger on the EPS.

OR

Q. No. 5. (a) East Co. Ltd. is studying the possible acquisition of Fost Co. Ltd. by way of merger. Marks : 10

The following data are available in respect of the companies :

	East Co. Ltd.	Fost Co. Ltd.
Earnings after tax (₹)	2,00,000	60,000
No. of equity shares	40,000	10,000
Market value per share (₹)	15	12

If the merger goes through by exchange of equity share and the exchange ratio is based on the current market price, what is the new earnings per share of East Co. Ltd. ?

Q. No. 5 (b) State the reasons for merger. Marks : 6

OR

Q. No. 5 (b) Write a short note on "Types of Mergers. Marks : 6

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

Duration : 3 Hours Max. Marks : 80

Instructions : 1. **Answer all five Units.**
2. **One essay type question and short note/problems is compulsory from each Unit.**
3. **Figures to the right indicate marks.**
4. **Answer should be written in English completely.**

UNIT – I

Q. No. 1. a) The following is the capital structure of a company. Marks : 10

Source of capital	**Bookvalue (₹)**	**Market value (₹)**
Equity shares of ₹ 100 each	8,00,000	16,00,000
9% cumulative preference shares @ ₹ 100 each	2,00,000	2,40,000
11% debentures (₹ 100 each)	6,00,000	6,60,000
Retained earnings	4,00,000	–
	20,00,000	**25,00,000**

The current market price of the company's equity share is ₹ 200. For the last year the company had paid equity dividend at 25% and its dividend is likely to grow by 5% every year. The corporate tax rate is 30% and shareholders personal income tax rate is 20% calculate :

(i) Cost of capital for each source of capital.

(ii) Weighted average cost of capital on the basis of book value weights.

OR

Q. No. 1. a) A firm has the following capital structure and after tax costs for the different sources of funds used : Marks : 10

Source of funds	Amount (₹)	After tax cost (%)
Debt	4,50,000	7
Preference capital	3,75,000	10
Equity capital	6,75,000	15
	15,00,000	

Calculate the weighted average cost of capital using book value weights.

Q. No. 1. b) Write a short note on CAPM model. Marks : 6

OR

Q. No. 1. b) Explain the importance of cost of capital. Marks : 6

UNIT – II

Q. No. 2. a) A Co. Ltd. has equity share capital of ₹ 5,00,000 divided into shares of ₹ 100 each. It wishes to raise further ₹ 3,00,000 for expansion and modernisation plans. The company plans the following financing schemes : Marks : 10

(i) All common stock

(ii) ₹ 1,00,000 in common stock and ₹ 2,00,000 in debt @ 10% p.a

(iii) All debt at 10% p.a

(iv) ₹ 1,00,000 in common stock and ₹ 2,00,000 in preference capital with the rate of dividend at 8%. The company's expected earnings before interest and tax (EBIT) are ₹ 1,50,000. The corporate rate of tax is 50%.

Determine the EPS in each plan and comment which alternative is best and why ?

OR

Q. No. 2. a) Discuss the determinants of capital structure. Marks : 10

Q. No. 2. b) Explain the assumptions of MM approach under dividend theory. Marks : 6

OR

Q. No. 2. b) Explain the forms of dividend. Marks : 6

UNIT – III

Q. No. 3. a) A proforma cost sheet of a company provides the following particulars : Marks : 10

Elements of cost	
Material	40%
Direct labour	20%
Overheads	20%

The following further particulars are available :

(i) It is proposed to maintain a level of activity of 2,00,000 units.

(ii) Selling price ₹ 12 per unit.

(iii) Raw materials are expected to remain in stores for an average period of one month.

(iv) Material will be in process, on average half a month and is assumed to be consisting of 100% raw materials, wages and overheads.

(v) Finished goods are required to be in stock for an average period of one month.

(vi) Credit allowed to debtors is 2 months.

(vii) Credit allowed by suppliers is one month.

Assume that sales and production follow a consistent pattern. Prepare a statement of working capital requirements.

OR

Q. No. 3. a) What is working capital ? Discuss the factors influencing working capital. Marks : 10

Q. No. 3. b) Write a short note on : Marks : 6

Inventory management.

OR

Q. No. 3. b) Cash management. Marks : 6

UNIT – IV

Q. No. 4. a) A company is considering investment in a project that costs ₹ 2,00,000. The project has an expected life of 5 years and zero salvage value. The company uses straight line method of depreciation. The company's tax rate is 40%. The estimated earnings before depreciation and tax from the project are as follows : Marks : 10

Year	Earnings before Depreciation and Tax (₹)	P.V. factor @10%
1	70,000	0.909
2	80,000	0.826
3	1,20,000	0.751
4	90,000	0.683
5	60,000	0.621

You are required to calculate net present value at 10% and advise the company.

OR

Q. No. 4. a) Bharath International, an India based multinational company is evaluating an overseas investment proposal. It is considering a project to build a plant in UK. The project will entail an initial outlay of £ 50 and is expected to generate the following cashflows over its four year life. Marks : 10

Year	Cashflow (in/million)
1	£ 20
2	£ 30
3	£ 20
4	£ 10

The current spot exchange rate is ₹ 98 per British pound (£), the risk-free rate in India is 7% and the risk-free rate in UK is 3%. Bharath International's required rupee return on a project of this kind is 20%.

Calculate NPV of the project using Home currency approach.

Q. No. 4. b) Write a short note on :

Multinational capital budgeting. Marks : 6

OR

Q. No. 4. b) Multinational working capital management. Marks : 6

UNIT – V

Q. No. 5. a) S Ltd. is taking over M Ltd. as per the understanding between the management of the two companies shareholders of M Ltd. would receive 0.7 shares of S Ltd. for each share held by them. The relevant data for the two companies are as follows : Marks : 10

	S Ltd.	M Ltd.
Net sales (₹ in lakhs)	80	30
Profit after tax (₹ in lakhs)	16	4
Number of shares (Lakhs)	3.2	1
Earnings per share (₹)	5	4
Market value per Share (₹)	30	20
Price-earning Ratio (P/E)	6	5

Ignoring the economics of scale and operating synergy, you are required to calculate :

(i) Number of shares after the merger

(ii) Combined P/E ratio

(iii) Total market capitalisation after the merger.

OR

Q. No. 5. a) A Ltd. wants to take over B Ltd. the financial details of both the companies are as below : Marks : 10

	A Ltd. (₹)	B Ltd. (₹)
Equity share capital of ₹ 10 each	2,00,000	1,00,000
Preference share capital	40,000	–
Share premium	–	4,000
P and L A/c	76,000	8,000
10% debentures	30,000	10,000
Total liabilities	**3,46,000**	**1,22,000**

Fixed assets	2,44,000	70,000
Current assets	1,02,000	52,000
Total assets	**3,46,000**	**1,22,000**
Profit after tax and preference dividend	48,000	30,000
Market price per share	24	27

You are required to determine the share exchange ratio to be offered to the shareholders of B Ltd. based on

(i) Net assets value

(ii) EPS

(iii) Market price

Which should be preferred from the point of view of A Ltd. ?

Q. No. 5. b) Write a short note on : Marks : 6

Advantages of merger.

OR

Q. No. 5. b) Reasons for merger. Marks : 6

6017/7017

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

Duration : 3 Hours Max. Marks : 80

Instructions : 1. **Answer any five questions from group (a). Each question carries 10 marks.**
2. **Answer any five questions from group (b). Each question carries 6 marks.**
3. **Answers should be written only in English.**

Q. No. 1. (a) From the following capital structure of a company, calculate the overall cost of capital using Marks : 10

(a) Book value weights.

(b) Market value weights.

Source	**Book value**	**Market value**
Equity share capital (₹ 10 per share)	45,000	90,000
Retained earnings	15,000	–
Preference share capital	10,000	10,000
Debentures	30,000	30,000

The after tax cost of different sources of finance are as follows : Share capital : 14%, Retained earnings : 13%, Preference share capital : 10%, Debentures : 5%.

Q. No. 1. (b) Explain the significance of cost of capital. Marks : 6

Q. No. 2. (a) Calculate the weighted average cost of capital. Both book value and market value weights after tax for the following. The tax rate is 50%. Marks : 10

Sources of Capital	**Book Value**	**Market Value**	**Cost of each Source Before Tax**
Equity Capital	2,50,000	5,00,000	24.44%
Pref. Capital	1,00,000	1,50,000	27.29%
Debt. Capital	5,00,000	6,50,000	7.99%
Retained Earnings	1,50,000	–	18.33%

Q. No. 2. (b) Explain the role of a Finance Manager. Marks : 6

P.T.O.

Q. No. 3. (a) Define capital structure. Explain the factors determining capital structure. Marks : 10

Q. No. 3. (b) Write a short note on : Marks : 6

(1) Traditional approach.

(2) Net income approach.

(3) Net operating income approach.

Q. No. 4. (a) PQR Ltd. has 2,00,000 shares outstanding and is planned to declare a dividend to ₹ 5/- at the end of current financial year. The present market price is ₹ 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 at the end of the year. Marks : 10

(i) When dividend is declared and

(ii) When no dividend is declared ?

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

Q. No. 4. (b) Discuss the various types of dividend policy. Marks : 6

Q. No. 5. (a) Krupa Co. Ltd. has requested you to prepare a statement showing the working capital requirement for a level of activity of 1,56,000 units production. The following information is available. Marks : 10

Particulars	Rate per Unit
Raw materials	90
Overheads	75
Direct labour	40
Total cost	205
Profit	60
Selling price	265

(1) Raw materials are in stock, on an average 1 month.

(2) Materials are in process, 50% complete for average 2 weeks.

(3) Finished goods are in stock, on an average 1 month (Holding period).

(4) Credit allowed by suppliers, one month.

(5) The lag in payments from debtors is 2 months.

(6) Lag in payments of wages, 1 and a half weeks.

(7) Lag in payment of overheads 1 month. 20% of output is sold against cash. Cash in hand and at bank is expected to be 60,000. It is to be assumed that the production is carried on evenly throughout the year. Wages and overheads are occur similarly and a time period of 4 weeks is equivalent to a month.

Marks : 6

Q. No. 5. (b) Write the advantages of working capital.

Q. No. 6. (a) What is working capital management ? Explain factors determining working capital management. Marks : 10

Q. No. 6. (b) Write a short note on working capital cycle. Marks : 6

Q. No. 7. (a) XYZ company is considering an investment proposal to install new machine at a cost of ₹ 1,00,000. The facility has a life of 5 years and no salvage value. The tax rates is 35%. Assume the firm uses straight line depreciation for tax purposes. Marks : 10

Year	CFBT (₹)	PV factor at 10%
1	10,000	0.909
2	10,692	0.826
3	12,769	0.251
4	13,462	0.683
5	20,383	0.621

Calculate :

(A) Payback period

(B) ARR

(C) NPV @ 10%

(D) PI @ 10%

Marks : 6

Q. No. 7. (b) Write a short note on :

(a) Profitability index method.

(b) Internal rate of return method.

Q. No. 8. (a) What do you understand by a capital budgeting decision ? Why is capital budgeting so important to management ? Marks : 10

Q. No. 8. (b) Explain factors influencing capital structure of an MNC. Marks : 6

Q. No. 9. (a) S Ltd. is acquiring P Ltd. The shareholders of T Ltd. would receive 0.8 shares of S Ltd. for each share held by them. The merger is not expected to yield in economies of scale and operating synergy. The relevant data for the two companies are as follows : Marks : 10

Particulars	A	B
Net Sales (₹ crore)	700	250
Profit after tax (₹ crore)	120	25
Number of shares (crore)	24	6
Earning per share (₹)	4.83	4
Market value per share (₹)	30	20
Price earning ratio	6.21	5

For the combined company (after merger), you are required to calculate :

(a) EPS

(b) P/E ratio

(c) Market value per share.

Q. No. 9. (b) Write a short note on : Marks : 6

(1) Types of merger

(2) Reasons for merger.

Q. No. 10. (a) What do you mean by financial managements ? Briefly explain the functions of financial management. Marks : 10

Q. No. 10. (b) Write a note on Shorpe Linther Model. Marks : 6