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

Calculate :

i) Pay back period

ii) Average rate of return

iii) NPV

iv) 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 :

i) Post Merger EPS

ii) P/E Ratio

iii) 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 :

(a) Inventory Management

(b) Cost of Capital

(c) 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.

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) Ke

iii) Kd

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

Q. No. 2. What is Financial Management ? Explain the role and responsibilities of a Finance Manager. Marks : 16

Q. No. 3. What do you understand by 'capital structure' ? Explain the various factors affecting capital structure decision. 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 share	1,20,000	1,80,000	26%
Retained earnings	40,000	60,000	18%
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. From the following information extracted from the books of a manufacturing company. Compute the operating cycle in days and the amount of working capital required. Marks : 16

Period	365 days
Average period of credit allowed by suppliers	16 days
Average total debts outstanding	Rs. 4,80,000
Raw materials consumption	Rs. 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

Q. No. 6. X Ltd. wishes to acquire Y Ltd. on the bases of an exchange ratio of 0.8. The financial data is as follows : Marks : 16

	X Ltd. (Rs.)	Y Ltd. (Rs.)
Earnings after taxes	6,00,000	1,20,000
Equity shares out standing	3,00,000	12,000
Market price per share	40	16

Calculate :

(a) Combined firm EPS.

(b) Combined firm MPS.

(c) Combined firm P/E Ratio.

Q. No. 7. What is 'merger' ? What are the benefits and motives for mergers ? Marks : 16

Q. No. 8. Write short notes on **any two** of the following : Marks : 2x8=16

(a) Cost of capital.

(b) Types of dividend.

(c) Working capital management.

Q. No. 9. Solve **any two** of the following problems : Marks : 2x10=20

(a) A chemical company is considering investing Rs. 5,00,000 in a project. The estimated salvage value is zero and tax rate is 55%. The company uses straight line method of depreciation and proposed project has Cash Flows Before Depreciation and Tax (CFBDT) as follows :

Year	CFBDT (Rs.)
1	1,00,000
2	1,00,000
3	2,50,000
4	1,50,000
5	2,50,000

Assume discount rate is 8%. Determine the following :

(a) Pay back period

(b) Average rate of return

(c) Net present value

(b) Pooja company issued 15,000 ten-year 8 percent debentures of Rs. 100 each at 4 percent interest per annum under the terms of debenture trust, these debentures are to be redeemed after 10 years at 5 percent premium. The cost (i.e. cost of floatation) of issue is 2 percent.Calculate cost of debt of capital presuming a tax rate of 50 percent.

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

Fourth Semester 5 Year B.B.A., LL.B. Examination, Nov./Dec. 2020
FINANCIAL MANAGEMENT (Old and New Batch)

Duration : 3 Hours Max. Marks : 100

Instructions : 1. Answer Question 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 completely in English.
4. Use simple calculator.

Q. No. 1. The Alpha Company Ltd. is considering the purchase of a new machine. Two alternative machines (A and B) have been suggested, each costing Rs. 4,00,000. Earnings after taxation are expected to be as follows : Marks : 16

Year	Cash flow (Rs.) 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 company has a target return on capital of 10%. On that basis. Calculate.

1) Payback period
2) NPV.
3) Profitability Index.

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

(a) Rank these projects in order of their desirability under the payback period method.

(b) 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 :

(1) Post merger EPS

(2) P/E ratio

(3) 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.

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.

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.

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.

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.

Q. No. 5. (b) Write the advantages of working capital. Marks : 6

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%

Q. No. 7. (b) Write a short note on : Marks : 6

(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

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

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

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

(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

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

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.

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

(i) Post merger EPS

(ii) P/E ratio

(iii) MPS.

Q. No. 8. Write a short note on **any two** of the following : Marks : 2x8=16

(a) Cash management.

(b) Types of dividends.

(c) Debtors management.

Q. No. 9. Answer **any two** of the following : Marks : 2x10=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.

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.

UNIT – II

Q. No. 2. a) A Ltd. belongs to a risk class for which the appropriate discount rate is 10%. It currently has 25,000 outstanding shares selling at Rs. 100 each. The firm is contemplating a dividend payment of Rs. 5 per share, at the end of current financial year. It expects to have a net income of Rs. 2,50,000 and a proposal for making new investments of Rs. 5,00,000. Show that under the MM hypothesis the payment of dividend does not affect the value of the firm. Marks : 10

OR

Q. No. 2. a) Explain various factors which influence the capital structure of a company. Marks : 10

Q. No. 2. b) Explain the traditional approach of capital structure. Marks : 6

OR

Q. No. 2. b) Write a short note on factors affecting 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) Gani Ltd. sells goods on a gross profit of 25%. Depreciation is taken into account as a part of cost of production. The following are the annual figures given to you. Marks : 10

Particulars	Rs.
Sales (2 months credit)	18,00,000
Material consumed (1 month credit)	4,50,000
Wages (1 month lag in payment)	3,60,000
Cash manufacturing expenses (1 month lag in payment)	4,80,000
Administrative expenses (1 month lag in payment)	1,20,000
Sales promotion expenses (paid currently in advance)	60,000
Income tax payable in 4 instalments of which one lies in next year	1,50,000

The company keeps one month's stock of each raw material and finished goods. It also keeps Rs. 1,00,000 in cash. You are required to estimate the working capital requirements of the company assuming 15% safety margin.

Q. No. 3. b) Explain in brief techniques of inventory control. Marks : 6

OR

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

UNIT – IV

Q. No. 4. a) Explain various factors peculiar to Multi National Corporations. Marks : 10

OR

Q. No. 4. a) India Pharma Ltd. an India based MNC is evaluating an overseas investment proposal. India Pharma 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	Flow of cash (in million)
1	$ 30
2	$ 40
3	$ 50
4	$ 60

The current spot exchange rate is Rs. 70 per US dollar, the risk free rate in India is 8% and the risk free rate in US is 3%. There rates observed in the financial markets.

Indian Pharma's required rupee return on the project is 15%. Should Indian Pharma undertake this project ? How is the undertake NPV of such a project calculated ?

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

OR

Q. No. 4. b) Write a short note on factors influencing capital structure of an MNC. Marks : 6

UNIT – V

Q. No. 5. a) Explain various reasons for mergers. Marks : 10

OR

Q. No. 5. a) XYZ Ltd. wants to acquire ABC Ltd. Marks : 10

Particulars	Firm XYZ	Firm ABC
Present earnings (Rs. in million)	20	4
Shares (in million)	10	1
Price earning ratio	18	10

Case I : If the two firms were to merge and the exchange ratio were one share of firm XYZ for each shares of firm ABC. What would be the initial impact on EPS of the two firms.

Case II : If the firm XYZ wants to takeover the firm ABC by offering a premium of 20% over the market price of share. What is the ratio of exchange of stock and how many new shares will be issued ?

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

OR

Q. No. 5. b) Write a short notes on benefits of mergers. Marks : 6

IV Semester 5 Year B.B.A.,LL.B./B.Com.LL.B.
Examination, March/April 2023 (Dec. 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 completely.
5. Use simple calculator only.

UNIT – I

Q. No. 1. a) Hari Ltd. has the following capital : Marks : 10

Equity share capital :	
(20000 shares @ Rs. 20/share)	Rs. 4,00,000
6% Preference share capital	Rs. 1,00,000
8% Debenture	Rs. 3,00,000

The market price of equity share is Rs. 20 per share, the company is expected to pay dividend of Rs. 2 per share which will grow at 7%.

Calculate weighted average cost of capital assuming that the company is under 50% tax bracket.

Also, calculate the new weighted average cost of capital if the company raises an additional Rs. 2,00,000 debt by issuing 10% debentures, this would result in increase in expected dividend to Rs. 3 per share and leave the growth rate unchanged, but the market price of the share will come down to Rs. 15/share.

OR

Q. No. 1. a) Elaborately explain capital asset pricing model. Marks : 10

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

OR

Q. No. 1. b) Write a short note on cost of equity shares and retained earnings. Marks : 6

P.T.O.

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

Q. No. 5. Explain the various forms of Dividend. Marks : 16

Q. No. 6. A company is planning to invest in a new machine costing ₹ 10,00,000. The cash flows associated with the machine are given below. Marks : 16

Year	Cash flows (₹)
1	3,00,000
2	4,00,000
3	6,00,000
4	2,00,000
5	5,00,000

Evaluate the proposal using the following methods :

(a) Payback period

(b) Accounting Rate of Return

(c) Net Present Value @10%

(d) Profitability Index @ 10%.

Q. No. 7. Sunrise Ltd. decides to takeover Moon Ltd. Following data is available. Marks : 16

Particulars	Sunrise Ltd.	Moon Ltd.
No. of Shares	6,00,000	5,00,000
EPS	₹11	₹10
P/E ratio	7	5
MP of shares	₹ 80	₹ 60

Exchange ratio is 0.5 shares for every of Moon Ltd. Find out

(a) Post merger EPS

(b) P/E ratio

(c) MP of shares.

Q. No. 8. Write a short note on **any two** of the following. Marks : 2x8=16

(a) A company issue 30,000 12% Preference shares of ₹ 100 each. Cost of issue is ₹ 3 per share. Calculate cost of preference capital if these shares are issued

i) at Par

ii) at a discount of 8%

iii) at a premium of 5%

(b) Capital budgeting

(c) CAPM model.

Q. No. 9. Solve **any two** of the following problems. Marks : 2x10=20

(a) From the following information extracted from the books of a manufacturing concern, compute the operating cycle in days

1)	Period covered	365 days
2)	Average period of credit allowed by suppliers	16 days
3)	Average total of Debtors	4,800
4)	Raw material consumption	44,000
5)	Total production cost	1,00,000
6)	Total cost of Goods sold	1,05,000
7)	Sales	1,60,000
8)	Average Raw Material	3,200
9)	Average work-in-progress	3,500
10)	Average Finished Goods	2,600

(b) Company issues Debentures of ₹ 2,00,000 and realises ₹ 1,90,000 after allowing 2% commission to agents. The Debentures carry 10% Interest. The Debentures are due for maturity at the end of the 10^{th} year. You are required to calculate the effective cost of Debt capital after tax. If the tax rate is 50%

(c) Explain capital structure theories.

IV Semester 5 Year B.B.A. LL.B. Examination, March/April 2023
(December 2022)
FINANCIAL MANAGEMENT

Duration : 3 Hours Max. Marks : 100

Instructions : 1. Answer Q. No. 9 and 5 of the following questions.
2. Q. No. 9 carries 20 marks and remaining question carries 16 marks each.
3. Answer should be written in English completely.
4. Use simple calculator only.

Q. No. 1. What is Financial Management ? Explain the objectives of Financial Management. Marks : 16

Q. No. 2. Following are the details regarding the capital structure of a company. Marks : 16

Sources	**Book Value (₹)**	**Market Value (₹)**	**Specific Cost**
Equity shares	1,00,000	90,000	10%
Debentures	80,000	60,000	12%
Preference shares	60,000	50,000	9%
Retained earnings	30,000	10,000	5%

You are required to calculate WACC by using

(a) Book value as weights

(b) Market value as weights.

Q. No. 3. Explain the determinants of capital structure. Marks : 16

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 :

i) Raw material are in Stock on an average for one month.

ii) Materials are in process on an average for half a month.

iii) Finished goods are in stock on average for one month.

iv) Credit allowed by suppliers is one month.

v) Credit allowed to customers is two months.

vi) Lag in payment of wages is 1½ week.

vii) Lag in payment of over head expenses is one week.

viii) ¼th of the output is sold against cash.

ix) 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 : 2x8=16

(a) Capital Budgeting.

(b) Capital Structure.

(c) Cost of Capital.

Q. No. 9. Solve **any two** of the following : Marks : 2x10=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

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.

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 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

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

(a) Book value method.

(b) 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.

a) Pay back period.

b) NPV @ 10%

c) Profitability Index @ 10%

d) 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 : 2x8=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 : 2x10=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.

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	30
Total cost	170
Profit	30
Selling price	200

ii) Raw materials remain in stores for about 2 months.

iii) Processing time 1 month.

iv) Lag in payment of wages 1 month.

v) Finished goods remain in stores for about 2 months.

vi) Credit allowed to Debtors 2 months.

vii) Credit allowed by suppliers 3 months.

viii) Expected level of activity 4,00,000 units.

Estimate working capital requirements. Add 15% for margin for contingencies. Marks : 16

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. (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

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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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.

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

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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

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(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

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(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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