

End Semester Examination

Name: Enrolment No:	
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Course Code : CLNL 2016
Course Name : Financial Management
Programme : BBALLB (Hons. Corp/BFI/ITL)
Time: 03 hrs.

Semester: III
Max. Marks:100

Instructions: Attempt all Five questions in Section A.

SECTION A (Answer all 5 questions) 10marks

1.	Analyze the statement, ‘Wealth Maximization can be advantageous for shareholders’.	[2]	CO3
2.	What are current assets and give four examples for the same?	[2]	CO1
3.	What is gross and net working capital ?	[2]	CO1
4.	Explain the term Break-even analysis.	[2]	CO1
5.	Write a note on Pay Back period.	[2]	CO2

SECTION B (Write short notes) 20marks

6.	Analyze the advantages of redeemable and irredeemable preference share capital in an optimum capital structure.	[5]	CO3															
7.	Explain briefly the importance and scope of capital budgeting?	[5]	CO2															
8.	What do you understand by the term Weighted Average Cost of Capital? Compute the Weighted Average Cost of Capital from the given data. <table border="1" style="margin-left: 20px; width: 60%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Source of Capital</th> <th style="text-align: left;">Amount (Rs.)</th> <th style="text-align: left;">Cost</th> </tr> </thead> <tbody> <tr> <td>Preference Shares</td> <td>1,00,000</td> <td>10%</td> </tr> <tr> <td>Equity Shares</td> <td>5,00,000</td> <td>12.5%</td> </tr> <tr> <td>Debentures</td> <td>3,00,000</td> <td>9%</td> </tr> <tr> <td>Retained Earnings</td> <td>3,00,000</td> <td>13%</td> </tr> </tbody> </table>	Source of Capital	Amount (Rs.)	Cost	Preference Shares	1,00,000	10%	Equity Shares	5,00,000	12.5%	Debentures	3,00,000	9%	Retained Earnings	3,00,000	13%	[5]	CO3
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9.	The dividend policy decisions are crucial for any business organization. Comprehend the statement.	[5]	CO3															

SECTION C (Attempt both questions) 20marks = 10*2

10.	Explain in detail the term operating leverage and financial leverage. How important is this for a firm to calculate its leverage.	[10]	CO2
11.	Elucidate the difference between ARR – Accounting rate of return and Internal rate of return – IRR with example.	[5*2=10]	CO3
	SECTION D is Compulsory - 50m		
12.	<p>a) Define Cost of Capital.</p> <p>b) How do we calculate the Equity cost of capital and what is the importance of the same.</p> <p>c) A ltd. Made an issue of 14% debentures of Rs. 400 lacs, face value of Rs. 100. The interest is payable annually and the debenture is redeemable at a premium of 5% after 10 years. If A ltd. Realizes Rs. 97 per debenture and the corporate tax rate is 50%, what is the cost of the debenture to the company?</p>	[5+10+10]	CO3
13.	<p>a) Explain the concept of Time value of money.</p> <p>b) How much time does it take to double the money if rate of interest is 14%? Explain the rule of 72.</p> <p>c) If you make fixed deposit Rs. 5000 at the end of every year in a bank for 5 years and the bank is paying 10% interest. What will be the future value of this annuity at the end of 5years? And how much different the future value will be if you invest and save rs 10,000 annually instead of Rs 5000.</p>	[5+10+10]	CO1