

**ST. JOSEPH'S COLLEGE OF LAW**

#18, Residency Road, Bengaluru – 560025

**Internal Assessment Examinations – May 2025**

**II BCOM LLB & II BBA LLB**

**Subject: Financial Management**

**Max Marks: 10**

**Time: 1 Hour**

**Instructions:**

1. Answer any essay questions from Part A and any short note questions from Part B.
2. Essay-type question carries 7 marks, and the short note question carries 3 marks.

**PART A**

**7 x 1 = 07**

1. Determine WACC from the following information:

Sources	Book Value	Market Value	Specific cost %
Debentures	40,000	38,000	10
Equity Shares	60,000	90,000	26
Preference Shares	10,000	11,000	16
Retained Earnings	20,000	30,000	18

**Or**

2. Compute the market value of the firm, value of shares, and average cost of capital from the following information:

Net operating income Rs. 2,00,000

Total investment Rs. 10,00,000

Equity capitalisation rate:

- a. If firm uses no debt 10%
- b. If firm uses Rs. 4,00,000 debentures 11%
- c. If firm uses Rs. 6,00,000 debentures 13%

**PART B**

**3 x 1 = 03**

3. Write a short note on net operating income approach.

**Or**

4. A company issues 8,000, 10% redeemable preference shares of Rs. 100 each. Redeemable after 10 years at a premium of 5%. The cost of preference is Rs. 2 per share. Calculate the cost of redeemable preference shares.