

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

$7 \times 1 = 07$

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

$3 \times 1 = 03$

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.