



6017/7017

IV Semester 5 Years B.B.A. LL.B./B.Com. LL.B.
Examination, January/February 2026 (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 either in Kannada or English completely.

UNIT – I

- Q. No. 1. a) From the following information calculate weighted average cost : Marks : 10
- 1) Equity shares 10,000 of Rs. 10 each Market Price Rs. 15 each
 $K_e = 12\%$.
 - 2) Debentures 10,000 of Rs. 100 each Market Value Rs. 120 each
 $K_d = (\text{After tax}) 11\%$.
- You are required to determine the weighted average cost of capital using
- a) Book value and market value as weights.
 - b) Book value and market value based on total cost.

OR

- Q. No. 1. a) A company issues 10% Rs. 10,00,000 debentures and realize Rs. 9,00,000 after allocating 10% discount, debentures are redeemable at 10% premium after 5 years. The company's tax rate is 50%. Determine the cost of redeemable debt before and after the tax. Marks : 10

- Q. No. 1. b) Write a short note on : Marks : 06
Benefits of cost of capital.

OR

- Q. No. 1. b) Write a short note on : Marks : 06
Retained earnings.

UNIT – II

- Q. No. 2. a) a) A company expects a net operating income of Rs. 1,00,000. It has Rs. 5,00,000, 6% debentures. The overall capitalisation rate is 10%. Calculate the value of the firm and the equity capitalisation rate (cost of equity) according to net operating income approach. Marks : 10
- b) If the debenture (debt) is increased to Rs. 7,50,000, what will be the effect on value of the firm and the equity capitalisation rate ?

OR

P.T.O.



- Q. No. 2. a) Explain the various factors which influence the capital structure of a company. Marks : 10
- Q. No. 2. b) Write a short note on factors affecting dividend policy. Marks : 06
- OR
- Q. No. 2. b) Explain the forms of dividends. Marks : 06

UNIT – III

- Q. No. 3. a) Prepare an estimate of working capital requirements from the following information of a trading concern. Marks : 10
- a) Projected annual sales – 1,00,000 units.
 - b) Selling Price – Rs. 8 per unit.
 - c) % of net profit on sales – 25%.
 - d) Average credit period allowed to customer – 8 weeks.
 - e) Average credit period allowed by suppliers – 4 weeks.
 - f) Average stock holdings in terms of sales requirements – 12 weeks.
 - g) Allow 10% for contingencies.

OR

- Q. No. 3. a) Explain factors determining working capital management. Marks : 10
- Q. No. 3. b) Write a short note on working capital cycle. Marks : 06

OR

- Q. No. 3. b) Write a note on Inventory Management. Marks : 06

UNIT – IV

- Q. No. 4. a) 'C' and 'S' company is considering an investment in a project requiring a capital outlay of Rs. 2,00,000. Forecast of annual income from the project after depreciation but before tax are as follows : Marks : 10

Year	Income	PV at 15%
1	1,00,000	0.870
2	1,00,000	0.756
3	80,000	0.658
4	80,000	0.572
5	50,000	0.497

Company tax rate is 40% and charges 20% depreciation on original cost. You are required to ascertain

- a) PBP.
- b) NPV using 15% cost of capital. (1 year – 0.870, 2 year – 0.756, 3 year – 0.658, 4 year – 0.572, 5 year – 0.497)

OR



Q. No. 4. a) What is capital budgeting ? Discuss the benefits of capital budgeting. Marks : 10

Q. No. 4. b) Financial management of multinational corporation. Marks : 06

OR

Q. No. 4. b) Capital structure of multinational corporations. Marks : 06

UNIT – V

Q. No. 5. a) XYZ is intending to acquire ABC Ltd. by merger and the following information is available in respect of both the companies. Marks : 10

Particulars	XYZ Ltd.	ABC Ltd.
Number of equity shares	10,00,000	6,00,000
Profit after tax	40,00,000	18,00,000
Market Price per share	28	14

- a) Calculate the present EPS of both the companies.
- b) If the proposed merger takes place, what would be the new EPS for XYZ Ltd ?
Assume that the merger takes place by exchange of equity shares and the exchange ratio is based on the market price per share.
- c) Will you recommend the merger of both the companies, justify your answer.

OR

Q. No. 5. a) State the reasons for merger and acquisition. Marks : 10

Q. No. 5. b) Write a short note on types of merger and acquisition. Marks : 06

OR

Q. No. 5. b) Write a short note on limitations of merger. Marks : 06
