6017/7017

IV Semester 5 Year B.B.A. LL.B./B.Com. LL.B. Examination, July/August 2026
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.**
4. **Answers should be written in English completely.**

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Unit – I

Q. No. 1. (a) Calculate the weighted average cost of capital (both book value and market value weights) after tax from the following. The tax rate is 50%. Marks : 10

Source of capital	Book value	Market value	Cost of each source before tax
Equity share capital	2,50,000	5,00,000	25%
Preference share capital	1,00,000	2,00,000	28%
Debt capital	7,00,000	9,00,000	9%
Retained earnings	2,00,000		25%

OR

Q. No. 1. (a) Define cost of capital. Explain the significance and problems in determination of cost of capital. Marks : 10

Q. No. 1. (b) Write a short note on capital asset pricing model. Marks : 6

OR

Q. No. 1. (b) 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 at Marks : 6

i) Par

ii) 10% discount

iii) 10% premium.

P.T.O.

Unit – II

Q. No. 2. (a) Define dividend policy. Explain the factors affecting dividend policy. Marks : 10

OR

Q. No. 2. (a) A manufacturing company is expecting the net operating income of Rs. 2,00,000. The company has debenture lending of Rs. 6,00,000 at 10% interest payable. The overall capitalization rate is 20%. Calculate the value of the firm and equity capitalization rate as per the NOI approach.

What will be the impact on value of the firm and equity capitalization firm if the debenture amount is increased to Rs. 7,50,000 ? Marks : 10

Q. No. 2. (b) Write a short note on types of dividend policy. Marks : 6

OR

Q. No. 2. (b) Write a short note on Modiglani and Miller (MM) approach of capital structure. Marks : 6

Unit – III

Q. No. 3. (a) What is inventory management ? What are the different techniques being adopted while managing inventories ? Explain them. Marks : 10

OR

Q. No. 3. (a) X Co. is desirous to purchase a business and has consulted you at one point on which you are asked to advice them is the average amount of working capital which will be required in the first year's working. Marks : 10

You are given the following estimates and are instructed to add 10% to your computed figure to allow for contingencies.

	Figures for the year (Rs.)
i) Amount blocked up for stocks	
Stock of finished product	5,000
Stock of stores, materials	8,000
ii) Average credit given :	
Inland sales – 6 weeks credit	3,12,000
Export sales – 1½ weeks credit	78,000

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iii) Lag in payment wages and other outgoings

Wages – 1½ weeks	2,60,000
Stock of materials – 1½ months	48,000
Rent, royalties – 6 months	10,000
Clerical staff – ½ month	62,400
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

Calculate the amount of working capital requirement.

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

OR

Q. No. 3. (b) Write a note on cash management and receivable management. Marks : 6

Unit – IV

Q. No. 4. (a) JJ Ltd. has two project under consideration which are mutually exclusive. The cost of each of them is Rs. 1,00,000. Both projects have to be depreciated on straightline basis and the tax rate is 50%. Marks : 10

Year	Profit before depreciation	
	Project – A	Project – B
1	80,000	20,000
2	60,000	40,000
3	40,000	60,000
4	20,000	90,000
5	10,000	1,00,000

Calculate :

i) Pay back period.

ii) ARR

iii) Net present value at 10%.

OR

Q. No. 4. (a) Explain various factors peculiar to multinational corporations. Marks : 10

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

OR

Q. No. 4. (b) Briefly mention any two methods of capital budgeting. Marks : 6

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Unit – V

Q. No. 5. (a) Sun Ltd. wants to takeover Moon Ltd. and the financial details of both are as follows. Marks : 10

	(Amount in Rs.)	
Particulars	**Sun Ltd.**	**Moon Ltd.**
Preference share capital	40,000	–
Equity share capital of Rs. 10 each	3,00,000	1,00,000
Profit and loss A/c	70,000	20,000
10% Debenture	15,000	5,000
Share premium	–	2,000
	4,25,000	**1,27,000**
Fixed assets	4,00,000	1,00,000
Current assets	25,000	27,000
	4,25,000	**1,27,000**
Profit after tax and preference dividend	50,000	18,000
Market price	24	20

What should be share exchange ratio to be offered to the shareholders of Moon Ltd. based on

i) Net asset value

ii) EPS

iii) Market price.

OR

Q. No. 5. (a) What is merger and acquisition ? Explain the types of merger and acquisition. Marks : 10

Q. No. 5. (b) Explain the reasons for merger and acquisition. Marks : 6

OR

Q. No. 5. (b) M Ltd. is studying the possible acquisition of N Ltd. and the following information is available. Marks : 6

	M Ltd.	**N Ltd.**
Profit after tax	Rs. 2,00,000	Rs. 60,000
Equity shares	40,000	10,000
Outstanding market price	Rs. 15	Rs. 12

i) If the merger take place by exchange of equity shares based on market price, what is the EPS of the new firm ?

ii) N Ltd. wants to be sure that the earnings available to its shareholders will not be diminished after merger. Then what should be the exchange ratio ?

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