6017/7017

Fourth Semester 5 Yr. B.B.A. LL.B./B.Com. LL.B. Examination, June/July 2025 (Even 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. **Use simple calculator only.**

UNIT – I

Q. No. 1. (a) Following is the capital structure of a company. Marks : 10

Sources	**Amount**	**Specific Cost**
Equity share of Rs. 10 each	35,00,000	12%
Preference share of Rs. 10 each	20,00,000	10%
10% Debenture of Rs. 100 each	15,00,000	5%

Presently debentures are traded in the market at Rs. 9, preference shares at Rs. 15 per share and equity shares at Rs. 12 per share. Compute weighted average cost of capital using book value and market value weights.

OR

(a) A company issue Rs. 2,00,000 debentures which is redeemable after 10 years. If the debentures is issued Marks : 10
i) at par
ii) at a discount of 5%
iii) at premium of 10%

Calculate the cost of debenture before tax and after tax. Assume the tax rate as 50% and interest rate at 10%.

Q. No. 1. (b) Write a short on cost of capital. Marks : 6

OR

(b) Write a short on capital asset pricing model. Marks : 6

UNIT – II

Q. No. 2. (a) Explain the factors affecting capital structure of a firm. Marks : 10

OR

(a) Explain the Modigliani-Miller (MM) Theory of Dividend. Marks : 10

Q. No. 2. (b) Write a short note on Dividend Policy. Marks : 6

OR

(b) Write a short note on Traditional Theory of capital structure. Marks : 6

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UNIT – III

Q. No. 3. (a) From the following information prepare a statement showing the estimated working capital requirements of a firm. Marks : 10

Budgeted sales Rs. 52,00,000 per annum.

Analysis per unit of sales	Amount (in Rs.)
Raw materials	25
Direct labour	45
Overhead	20
Cost of sales	90
Profit	10
Selling price	100

It is estimated that

i) Raw materials will be carried in a stock for two weeks and finished goods for three weeks.

ii) Factory processing will takes four weeks.

iii) Suppliers will give four weeks of credit and customers requires seven weeks of credit.

It may be noted that production and overhead arise evenly throughout the year.

OR

(a) Explain the determinants of working capital. Marks : 10

Q. No. 3. (b) Write a short note on inventory management. Marks : 6

OR

(b) Write a short note on cash management. Marks : 6

UNIT – IV

Q. No. 4. (a) Rank the following projects in order of their desirability according to the pay-back period method and net present value method (Discount rate 10%) Marks : 10

Project	Initial outlay	Annual cash flow	Life in years
A	10,000	2,500	5
B	8,000	2,600	7
C	4,000	1,000	15
D	10,000	2,400	20
E	5,000	1,125	15
F	6,000	2,400	6
G	2,000	1,000	2

OR

(a) A company is considering all investment proposal to install new machine at a cost of Rs. 1,00,000. The facility has a life of 5 years and no salvage value. The tax rate is 35%. Assume the firms use straight line method of depreciation for tax purpose. Marks : 10

Year	CFBT	PV factor
1	20,000	0.909
2	40,000	0.826
3	50,000	0.751
4	30,000	0.683
5	20,000	0.621

Calculate :

i) Pay back period

ii) ARR

iii) Net present value @ 10%

iv) Profitability index @ 10%.

Q. No. 4. (b) Write a short on financial management of multinational corporation. Marks : 6

OR

(b) Write a short on capital structure of MNCs. Marks : 6

UNIT – V

Q. No. 5. (a) S Ltd. is acquiring P Ltd. The shareholders of T Ltd. would receive 0.8 shares of S Ltd. for each share held by them. The merger is not expected to yield in economies of scale and operating synergy. The relevant data for the two companies are as follows. Marks : 10

Particulars	S Ltd.	P Ltd.
Net sales (Rs. crore)	1,400	500
Profit after tax (Rs. crore)	240	50
Number of shares (crore)	48	12
Earning per share (₹)	9	8
Market value per share	60	40
Pricing earning ratio	6.21	5

For the combined company (after merger) you are required to calculate :

a) EPS

b) P/E ratio

c) Market value per share.

OR

(a) The XYZ Ltd. wants to acquire ABC Ltd. by exchanging its 1.6 shares for every share of ABC Ltd. It anticipates to maintain the existing P/E ratio subsequent to merger also. The relevant financial data are furnished below. Marks : 10

	XYZ Ltd.	ABC Ltd.
Earnings after taxes (EAT) (Rs.)	15,00,000	4,50,000
Number of equity shares outstanding	3,00,000	75,000
Market price per share (Rs.)	35	40

a) What is the exchange ratio based on market prices ?

b) What is the pre-merger EPS and the P/E ratio for each company.

c) What was the P/E ratio used in acquiring ABC Ltd.

d) What is EPS of XYZ Company after the acquisition ?

e) What is the expected market price per share of the merged company ?

Q. No. 5. (b) Write a short note on types of merger. Marks : 6

OR

(b) Write a short note on reasons for merger and acquisitions. Marks : 6