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 = (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