Duration :- 2.30 hrs W625NFM19 Maximum Marks : 75

FYBAF - Financial Management

Note : 1) All Questions are compulsory.
2) Figures to right indicate full marks.

Q.1 A. Fill in the blanks (Any 8) (08)

1. ______________ connotes 'Management of money' i.e. earning, spending, saving and investing money.
2. ____________ finance can broadly be defined as the activity concerned with planning, raising, controlling, administering of the funds used in the business.
3. The concept of making a series of deposits for the purpose of making one withdrawal at the end is called ____________.
4. Making one deposit today in order to be able to make several withdrawals later is called__________.
5. ____________ Risk is the risk associated with the firm's operations.
6. ____________ Risk is the uncertainty about the future EBIT.
7. The least expensive source of short-term financing is ___________.
8. Accounts payable is a(n) __________ financing source.
9. The formula I(1-Tax) helps to compute the cost of __________.
10. The ____________ cost is a opportunity cost.

Q.1 B. True or False (Any 7) (07)

1. Cost of capital is a basic data for NPV technique.
2. Different sources have same cost of capital.
3. Credit purchase can be a good source of short term finance.
4. In India, commercial papers can be Issued for any amount and for any duration.
5. Financial leverage depends upon the operating leverage.
6. Dividend on preference shares is a factor of operating leverage.
7. Cash flow accruing to the firms at different time periods are directly comparable.
8. Time value of money signifies that the value of unit of money remains unchanged during different time periods.
9. Financing decisions involve the most appropriate mix of current & fixed assets.
10. Profit/EPS maximization is the sole objective of financial management.

Q.2 (a) A sum deposited at a bank fetches Rs.13,440 after 5 years at 12% simple rate of interest. Find the principal amount. (08)

(b) How much does a deposit of Rs. 40,000 grow in 10 years at the rate of 6% Interest Compounded Semi-annually. (07)

OR

(c) X Invested Rs.2,40,000 at annual rate of Interest at 10%. What is the amount after 3 years if compounded Quarterly. (08)

(d) Find the rate of Interest if the amount owed after 6 months is Rs.1050, borrowed amount being Rs.1000 at Simple Interest. (07)

Q.3 Calculate the EPS and three leverage of Suraj Ltd. (15)

(a) Sales 20,000 units at Rs. 45 Each, Variable cost Rs.27 Each. Fixed cost 2,60,000. Company has 5000 12% debentures of Rs.100 Each. Capital consist of 3000 11% Preference shares of Rs. 10 Each & 7000 Equity share of Rs.10 each tax 25%

OR

(b) Company has a sales of Rs. 25,00,000 with variable cost 40% fixed cost 5,00,000 & Interest 3,00,000 Company has 20,000 Equity Share of Rs. 10 Each Calculate the 3 leverages & EPS, Assumes Tax 50%. (15)

Q.4 (a) Sagar Ltd. has furnished you the following information and request you to find WACC under Book value weights and market value weights. (15)

Sources	Book value	Market value	Cost
Equity shares	300	800	20%
Reserves	400	-	15%
Preference shares	125	145	80%
Debentures	250	245	8%

OR

(b) SK Ltd has obtained funds from following sources. (15)

Source	Amount	Cost of Capital
Equity shares	30,00,000	?
Pref. Shares	8,00,000	80%
Retained Earnings	12,00,000	11%
Debentures	10,00,000	9% (Before tax)

Additional Information

1. Tax rate of company 30%
2. Equity shares are of Rs. 10 Each has dividend of Rs. 1.2 per share and growth rate of 3% calculate the WACC of the company.

Q.5. a. Explain the importance of financial management (08)
b. Distinguish between Preference Share & Debentures. (07)

OR

Q.5 **Short Notes (Any – 3)** (15)

a. Tools of financial management
b. Disadvantages of pref. share capital
c. Bridge finance
d. Financial leverage
e. Debentures as source of finance

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