

**Note : 1) All Questions are compulsory.**

**2) Figures to right indicate full marks.**

- Q.1 A) True of False (Any Eight) (08)**
1. Financial management is concerned with maximization of wealth of shareholders.
  2. The main job of finance manager is to make decisions in production area.
  3. Financial management has nothing to do with Human resource management.
  4. Equal installment at equal intervals will result in annuity.
  5. Cash flow of different years are comparable in absolute term.
  6. Depreciation should be added back to Net Profit after tax to get cash inflow.
  7. The amount by scrap value should be added to the cash flow of last year.
  8. Project with longer payback period should be selected.
  9. Interest on debentures reduces to liability.
  10. Historical weights are usual to calculate WACC.
- Q.1 B) Fill in the Blanks (Any Seven) (07)**
1. Capital Structure is made up by \_\_\_\_\_.
  2. Capital Structure includes ownership securities and \_\_\_\_\_ securities.
  3. Equity consists of Equity shares capital and \_\_\_\_\_
  4. Debts consist of \_\_\_\_\_ funds.
  5. \_\_\_\_\_ and \_\_\_\_\_ have advocated relevance approach.
  6. EPS remains constant in the assumption of \_\_\_\_\_ model.
  7. An organization of maturity stages can have \_\_\_\_\_ dividend policy.
  8. Loan affects \_\_\_\_\_ of an organization.
  9. Hybrid financing involves \_\_\_\_\_ When compared to equities.
  10. Finance is the \_\_\_\_\_ of business.
- Q.2 A. Rahul deposit Rs. 25000 in a bank which pays 12% compound Interest, Compounded half yearly. Find the accumulated amount he will receive after 7 year. (07)**
- B. Vijay Borrows Rs. 50,000 from his friends at 10% simple Interest. He refunds the amount after 5 years. Find the total amount to be refunded (08)**
- (15)**
- OR**
- C. Sigma Ltd wants to purchase a machinery which cost Rs. 5,00,000 life 5 years and zero scrap value . If the company expects profit before depreciation & tax of 2,50,000; 2,00,000; 2,00,000; 3,00,000 and 3,00,000.**
- Q.3. A) Calculate the Cost of debenture, if company has 7% Debenture of FV Rs.1000 each at market price of Rs. 1050 and tax rate of 50%. (08)**
- (07)**
- B) Equity of face value Rs.100 each are quoted in stock end range at Rs.210 and expected dividend of 15% in forth coming year and growth rate of 5% calculate the cost of equity. (15)**

**OR**

C) Freya Ltd has a capital structure as follows.

<u>Sources</u>	<u>Amt.</u>	<u>Cost</u>
Eq. Shares	5,00,000	?
Prof. Shares	2,50,000	7%
Debentures	2,50,000	9% (per tax)
Retinal Earning	5,00,000	10%

- Q.4. A) Calculate the market price of shares under waters model (08)
- |                 |       |
|-----------------|-------|
| Cost of Capital | 18%   |
| I.R.R.          | 20%   |
| E.P.S           | Rs.6  |
| D.P.S           | Rs. 3 |

- B) Teena Ltd declared & paid annual dividend of Rs. 3 per share which has a growth rate of 10% for 1<sup>st</sup> 3 years and 5% p.a there after if company required rate of return is 10% calculate the price. (07)

OR

- C) Company requires Rs. 5,00,000 for expansion program for which 3 alternative are available. (15)

Alternatives	I	II	III
Equity share	40%	50%	50%
7% pre of shares	-	50%	-
8% Debentures	60%	-	50%

Equity shares are of RS. 10 each, EBIT expected is Rs.1,00,000 and tax rate of 50% evaluate the alternatives.

- Q.5. a. Explain the factors determining the dividend policy. (08)  
 b. What are the advantages of advantages of venture capital finance. (07)

OR

Short Note (Any -3) (15)

1. Types of Dividend policy
2. Water model
3. MM Approach
4. Capital structure with equity and preference shared
5. Economic value added.

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