



0442

**Fourth Semester 5 Years B.B.A. LL.B. (Hon's.)
Examination, June/July 2015
FINANCIAL MANAGEMENT**

Duration : 2½ Hours

Max. Marks : 70

- Instructions:**
1. Answer **any 8** and **any five** of the remaining questions.
 2. Q. No. **8** carries **20** marks and the **remaining** questions carry **10** marks **each**.
 3. Answers should be written in **English**.
 4. Use simple **calculator**.

Q. No. 1. Following is the capital structure of Sun Ltd. Marks : 4×10=40

- 1) Equity Shares 1000 of Rs. 100 each market price Rs. 150 each, $k_e = 12\%$.
- 2) Debentures 10000 of Rs. 100 each market price Rs. 120 each k_d (After tax) = 11%.

You are required to determine WACC using :

- a) Book value as weights and total cost.
- b) Market value as weights and total cost.

Q. No. 2. What is Dividend Policy ? State the various factors affect the dividend policy.

Q. No. 3. From the following information estimate the amount of working capital by taking 360 days in a year.

Sales 80000 units at	Rs. 20 per unit
Material cost	Rs. 10 per unit
Labour cost	Rs. 5 per unit
Overheads	Rs. 3 per unit

Customers are given 45 days credit and 60 days credit is taken from suppliers. Raw materials for 30 days and finished goods for 15 days are kept in stock, production cycle 24 days. A cash balance equal to one third of average of other working capital is kept for contingencies.

P.T.O.



- Q. No. 4. Explain the different types of mergers and acquisitions with examples.
- Q. No. 5. You are a Financial Analyst for the little company. The director of capital has asked you to analyze two proposed capital investments – Project X and Project Y. Each project has a cost of Rs. 10,000 and the cost of capital for each project is 10%. The project expected net cash flows are as follows :

Year	Project X	Project Y
1	6500	3500
2	3000	3500
3	3000	3500
4	1000	3500

Calculate each project's pay back period, net present value and profitability index.

- Q. No. 6. X company is acquiring Y company. X company will pay 0.5 of its shares to the shareholders of Y company for each share hold by them. The data for the two companies are given below.

	X Co.	Y Co.
Profit after tax (Rs. lakh)	150	30
Number of shares (lakhs)	25	8
EPS (Rs.)	6.00	3.75
MPS (Rs.)	78.00	33.75
P.E. Ratio	13	9

Calculate :

- 1) Combined firm EPS.
- 2) Combined firm P.E. Ratio.
- 3) MPS.



Q. No. 7. Write a short note on **any two** of the following : Marks : 2×5=10

- a) Capital structure.
- b) Working Capital Management.
- c) Functions of Financial Management.

Q. No. 8. Solve **any two** of the following problems : Marks : 2×10=20

a) From the following data, state which project is better ?

Project	A	B
Cash flows		
Year		
0	-25,000	-25,000
1	10,000	12,500
2	10,000	15,000
3	5,000	7,500

The discount rate of project A is 12% and B is 15% respectively.

b) The following information is available in respect of A Ltd.

- a) Stock holding : Raw material – 1 month
WIP – 15 days.
Finished goods – 1 month
- b) Average collection period – 2 months.
- c) Time lag in payment of bills – 45 days

Calculate :

- a) Operating Cycle
 - b) Cash Cycle
 - c) No. of operating cycles in a year.
- c) Ten years 10% debentures of a company are sold at the rate of Rs. 90. The face value of debentures is Rs. 100. Tax rate is 40%. Find the cost of debt.
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