Fourth Semester 5 Years B.Com. LL.B. Examination, June/July 2019
FINANCIAL MANAGEMENT

Duration : 3 Hours   Max. Marks : 100

Instructions : 1. Answer Q. No. **9** and **any five** of the remaining
questions.
2. Q. No. **9** carries **20** marks and the remaining questions
carry **16** marks **each**.
3. Answers should be written in **English** completely.
4. **Use** simple calculator.

Q. No. 1. What do you mean by Mergers and Acquisitions ? What are
the characteristics of Mergers and Acquisitions ? Explain the
reasons for Mergers and Acquisitions.   Marks : 16×1=16

Q. No. 2. Estimate the working capital requirements from the following
information. You are given the following estimate and are
expected to add 20% contingencies.   Marks : 16×1=16

a) Amount blocked up in stock :
   i) Stock of finished goods   6,000
   ii) Stock of stores, materials   10,000

b) Average Credit Sales :
   i) Inland sales – 8 weeks credit   3,00,000
   ii) Export sales – 2 weeks credit   80,000

c) Log in payment of wages and other outgoings :
   i) Wages – 2 weeks   2,50,000
   ii) Stock and Materials – 2 months   50,000
   iii) Rent and Royalties – 6 months   10,000
   iv) Clerical staff – 1 month   5,000
   v) Miscellaneous expense – 2 months   50,000

d) Payment in advance :
   Sundry Expense paid in advance   10,000

P.T.O.

Q. No. 3. Calculate WACC, i) as total cost, ii) as weights from the following information. Marks : 16×1=16

Source	Book Value	Market Value	Specific Cost
Equity Shares	3,00,000	5,00,000	15%
Debentures	2,00,000	1,96,000	9%
Preference Shares	2,00,000	2,10,000	10%
Retained Earnings	2,00,000	–	15%

Q. No. 4. A company is considering purchase of a machine. Two alternative machines are available – Machine X and Y and each costing Rs. 50,000. Earnings after taxation are expected to be as follows : Marks : 16×1=16

Year	Estimated Net Cash Flows Machine X (Rs.)	Machine Y (Rs.)
1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

Evaluate the two alternatives according to

a) PBP

b) ROI

c) NPV at 10%

Assume Straight Line Method of depreciation.
The discount factor is as under :

Year	1	2	3	4	5
DF at 10%	0.909	0.826	0.751	0.683	0.621

Q. No. 5. What do you mean by inventory management ? What are the different techniques being adopted while managing inventories ? Explain them. Marks : 16×1=16

Q. No. 6. Explain the concept of Traditional Approach and MM Approach under capital structure theories. Marks : 16×1=16

Q. No. 7. What do you mean by dividend and dividend policy ? Explain the different types of dividend and dividend policy.

Marks : 16×1=16

Q. No. 8. Write short note on **any two** of the following :

Marks : 2×8=16

(a) Financial Management of Multinational Corporations.

(b) Functions of Financial Management.

(c) Capital Asset Pricing Model (CAPM)

Q. No. 9. Solve **any two** of the following problems :

Marks : 2×10=20

(a) A Ltd. issues 1,00,000, 10% preference share capital of Rs. 100 each. The cost of the issue is Rs. 5 per share. Calculate the cost of preference share capital if these share are issued at

i) Par value

ii) 10% Discount

iii) 10% Premium.

(b) A company expects a net income of Rs. 80,000. It has Rs. 2,00,000, 8% Debentures. The equity capitalisation rate of the company is 10%. Calculate the value of the firm and overall capitalisation rate according to the Net Income Approach. (Ignore income-tax)

If the debenture debt is increased to Rs. 3,00,000. What shall be the value of the firm and the overall capitalisation rates ?

(c) Write a note on Capital Market Efficiency.

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