ST. JOSEPH'S COLLEGE OF LAW

#18, Residency Road, Bengaluru – 560025

Midterm Examination – May 2026

Class: 2 BCOM LLB & 2 BBA LLB

Subject: Financial Management

Max Marks: 10 **Time: 1 Hr**

Instructions:

1. Answer **any one** essay-type question from Part A and **any one** short note question from Part B.

2. Essay-type question carries 7 marks, and the short note question carries 3 marks.

Part A 7x 1= 07

1. Determine WACC after tax 50% of C & Co. from the following information:

Sources	Book Value	Market Value	Specific cost %
Debentures	5,00,000	6,50,000	7.99
Preference Capital	1,00,000	1,50,000	27.29
Equity Capital	2,50,000	5,00,000	24.44
Retained Earnings	1,50,000	0	18.33

Or

2. The 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 cost of equity according to net operating income approach.

Part B

3 x1= 03

3. Write a short note on Net Income approach.

Or

4. A company issues 1,000 equity shares of Rs. 100 each at a premium of 10%. The dividend has been Rs 20 for the past five years and remains the same for the future. Calculate the cost of equity when the price is Rs. 160.