SC

SEAT No.________ **No. of Printed Pages : 2**

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SARDAR PATEL UNIVERSITY

B.Com (Honors) International Accounting/Corporate Banking & Insurance (Sem. VI) Examination

Financial Management (UB06CCOH01)

Date & Time: 26th March 2018 (2:00 PM to 4:00 PM) Total: 60 Marks

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Q-1(A)	What is Financial Management? Discuss the scope and functions of financial management.	(10)
Q-1(B)	Critically evaluate the goals of maximization of profit and maximization of return.	(05)

OR

Q-1(A)	What is Financial planning? Discuss factors affecting financial planning of the firm	(08)
Q-1(B)	Discuss importance of financial management in a firm.	(07)
Q-2(A)	Give overview of Indian Financial System. Differentiate between Money Market and Capital Market.	(08)
Q-2(B)	Compare Equity Share, Preference share and Debentures as a source of long term finance.	(07)

OR

Q-2 Write note on: (15)

1) Treasury Bills
2) Certificates of Deposits
3) Retained Earnings
4) Commercial papers

Q-3(A) What is cost of capital? Discuss significance of cost of capital in a firm. (06)

Q-3(B) (09)

1) The current market price of the shares of A Ltd. is Rs. 95. The floatation costs are Rs. 5 per share. Company declares Rs. 4.50 dividend per share for previous year and is expected to grow at a rate of 7%. You are required to calculate the cost of equity share capital.

2) ABC Ltd. issues 20,000, 8% preference shares of Rs. 100 each at a premium of 5% redeemable after 8 years at par. The cost of issue is Rs. 2 per share. Calculate the cost of preference share capital.

3) B Ltd. issues Rs. 10,00,000, 9% debentures at a premium of 10%. The costs of floatation are 2%. The tax rate applicable is 50%. Compute the cost of debt-capital.

OR

Q-3(A) Explain the following terms; (08)

1) Historical cost and future cost
2) Marginal Cost
3) Explicit cost and implicit cost
4) Specific Costs, Composite Costs

(P.T.O.)

Q-3(B) Following is the capital structure of Gada Electronics: (07)

Type of capital	Book Value	Market Value	After tax cost of capital
Equity shares	5,00,000	9,00,000	14%
Preference share capital	3,00,000	3,00,000	10%
Retained earnings	2,50,000	-	14%
Debentures	1,50,000	1,50,000	6%

Using the above information calculate weighted average cost of capital using;

1) Book Value weights

2) Market Value of share

Q-4(A) What is capital budgeting? Discuss factors affecting capital budgeting decision in a firm. (08)

Q-4(B) Explain types of Capital Budgeting decisions. (07)

OR

Q-4 X limited is considering to invest in two mutually exclusive projects A and B which require initial investment of Rs. 10,00,000. The Net Cash inflow from both the project is estimated as under. (15)

Year	**1**	**2**	**3**	**4**	**5**
Net CF from A (Rs.)	3,00,000	3,50,000	3,20,000	2,80,000	2,50,000
Net CF from B (Rs.)	2,50,000	3,60,000	3,00,000	2,50,000	3,00,000

The Required Rate of Return on investment is 12% p.a. Advice the company to select the project using

1) Payback period method

2) Net Present Value method

3) Profitability Index

Present Value of Re. 1 @ 12 % Discount Factor is as under.

Year	1	2	3	4	5
PV of Re. 1 @ 12%	0.8929	0.7972	0.7118	0.6355	0.5674

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