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Shree Damodar College of Commerce and Economics, Margao-Goa

S Y. BBA (FS), Semester III, End Semester Examination (Repeat), April 2015

FINANCIAL MANAGEMENT

Timing: 2 Hours **Max. Marks: 60**

Instructions: *All questions are compulsory*
Start each question on a fresh page
Figures to right indicate maximum marks

Q1. Write short notes on Any Three of the following: **(4x3 = 12)**

a. Capital Budgeting Process.
b. Wealth maximization v/s Profit Maximization.
c. Four Functions of Financial Management.
d. Walter's Model of Dividend policy.
e. Agency Problem Theory with remedies.

Q.2.a. A company wants to expand its production. It can go for Machine X costing Rs.2, 24,000 with an estimated life of 5 years or Machine Y costing Rs. 60000 having an estimated life of 8 years. Tax rate is assumed to be 50%. The annual sales and costs are estimated as follows:-

	Machine X	Machine Y
Total Sales	**1,50,000**	**1,50,000**
Costs		
a. materials	50,000	50,000
b. labour	12,000	60,000
c. variable overheads	24,000	20,000
Total costs	**86,000**	**1,30,000**

Calculate the Payback period. **(10)**

b. Write a short note on Payback period. **(2)**

OR

Q2.x. From the following information, calculate the Net present value of the 2 projects and suggest which should be accepted assuming a discount rate of 10%. The Initial investment for Project X is Rs. 20,000 and for Project Y is 30, 000 with an estimated life of 5 years for both projects. **(8)**

Years	Project X	Project Y	PV factor@10%
1	5,000	20,000	0.909
2	10,000	10,000	0.826
3	10,000	5,000	0.751
4	3,000	3,000	0.683
5	2,000	2,000	0.621

y. Write a short note on Net present value and give a comparison of Net present value and Internal rate of return. **(4)**

Q3.a. The capital structure of Damodar ltd is as under: **(10)**

i. 2000, 6% debentures of Rs.100 each(first issue) Rs. 2,00,000.

ii. 1000, 7% debentures of Rs.100 each (second issue) Rs.1, 00,000.

iii. 2000,8% cumulative preference shares of Rs.100 each 2,00,000.

iv. 4000, equity shares of Rs.100 each Rs. 4, 00,000 and retained earnings Rs.1, 00,000.

The earnings per share of the company in the past many pears has been Rs. 15. The shares of the company are sold in the market at book value. The tax rate is 50% and shareholder's personal tax liability is 10%. Find out the Cost of Debt, preference shares, equity and Retained earnings.

b. Write a short note on Cost of capital. **(2)**

OR

Q3.x. A company wishes to issue 1000,9% preference shares of Rs.100 each. The other expenses of capital issue are underwriting 2%, brokerage 0.5%, printing Rs 500, tax rate 50%. Calculate cost of preference capital if issue has been made at par value, at discount of Rs. 5 per share and at premium of Rs. 6 per share. **(10)**

y. Explain the features of cost of capital. **(2)**

Q4.a. What is Capital structure? Explain the factors influencing Capital structure. **(12)**

OR

Q4.x. Highlight and explain the causes of Over capitalization. **(6)**

y. Explain the Measures of Under Capitalization. **(6)**

Q5.a. What is Dividend Policy? Explain the different factors which determine dividend policy of a company. **(12)**

OR

Q5.x. What is working capital management? Explain the sources of Working capital. **(6)**

y. What is dividend? Explain the different kinds of dividend. **(6)**

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