

Sl. No. : 159

BBAL 2204/BCL 2201

No. of Printed Pages : 07

Following Paper ID and Roll No. to be filled in your Answer Book.

PAPER ID: 29111/
29306

Roll
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Int LLB. Examination 2016-2017

(Second Semester)

FINANCIAL MANAGEMENT

Time : 3 Hours]

[Maximum Marks : 60

Note :- (i) Attempt all questions.

(ii) Section A carries 8 marks section B carries
12 marks and section C carries 40 marks.

SECTION - A

1. Attempt all parts of the following: $8 \times 1 = 8$

(a) Write short notes on the nature of Financial
Management?

(b) Write short notes on 'Interrelationship between
Investment, financing and dividend decisions.

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- (c) Write short notes on 'Discounted payback period'?
- (d) Why should one use market value weights in computation of weighted average capital cost (W.A.C.C.)?
- (e) Define over capitalization in brief?
- (f) Define degree of operating and financial Leverage?
- (g) Define Economic order quantity, and its uses in Inventory Management.
- (h) Define matching conservative approach of working capital?

SECTION - B

2. Attempt any two parts of the following: 2×6=12

- (a) XY Ltd has borrowed from the market by issue of a debenture with the coupon rate of 10.50%. It is a profitable Enterprise paying 36% Tax.
- (a) Cohat is the cost of debt if it sells :

- (i) at par
- (ii) at 5% premium
- (iii) at 5% discount to the face value.
- (b) What do you think that there is a difference in the cost of debt and preference capital despite identical features and cash flows.?
- (b) Project M is under consideration. Its initial cash outlay is the 1800 and life of five years. The cost of capital of the firm is 12% and cash in flow is as:

Project	Years				
CASH FLOW	C1	C2	C3	C4	C5
	600.00	300.00	1000.00	800.00	1100

- 1. What is payback period of the project?
- 2. Calculate Net present value whether accepted or Rejected.
- (c) In a developed stock market like U.S. A. the prices

and hence the Returns on the shares are expected to follow the capital Asset pricing model? Two shores namely IBM and Cocci Cola provides return as. per CAPM are found to have beta of 1.15 and 1.50 respectively.

(1) Find the market return and risk free rate for the US Finaicial Markets.

(2) Depict the capital market line.

(d) Rauk chemicals is operating at a sales level of Rs. 400 Laks Rauk chemicals has a variable cost of Rs 250 Lakh (62.5%) and fixed. Expenses of Rs 100 Lakh. What changes in profit do you expect if the ales (a) rise by 5% and (b) decline by 5%.

SECTION – C

3. Attemp all questions. Attempt any two parts from each questions. $5 \times 8 = 40$

- (a) The multiplicity of stakeholders and in a firm, causes the conflict of Interest. comment.
- (b) You have Rs. 50.000 available today for investment. A Bank has offered 8% Interest payable annually. For how long should you Invest with the bank so that the amount is doubled? How much would be the simple Interest for this period?
- (c) Write short notes on the following :
- Venture capital
 - G.D.R.
 - Profit Maximization Vs. Wealth Maximization.
4. (a) Define decision tree analysis? and it's relevance in net present value.
- (b) The shares of Indian Handicrafts Ltd is quoted on the stock exchange. The company paid a dividend of Rs. 8.50 last year. The market in expecting that the amount of dividend this year would be

- Rs. 9.50. If the market price of share of Indian Handicraft is Rs 200. What is the cost of equity? What would happen to cost of equity of the market revises expectations of dividend from Rs. 9.50 to (a) Rs. 9.60 (b) Rs. 9.70?
- (c) What is Risk-Adjusted discount Rate? What are its advantages and limitations?
5. (a) What is meant by financial leverage? What is the measure of financial risk of the firm?
- (b) Define optimum capitalization?
- (c) A company E.P.S. change from Rs 18 to Rs 20 while EBIT changes from 180 to 200 calculate degree of operating leverage?
6. (a) Discuss the following concepts and their relevance for working capital management :
- (i) Permanent working capital
- (ii) Temporary working capital
- (iii) Current liabilities

- (b) A unit manufacturing Electronic meters consumes 20,000 units of moulded steel boxes energy month. The material is consumed at an uniform rate during the month. The cost of acquiring the inputs is Rs. 100 per month for the firm and the carrying cost for the firm is 27.5% on an average. The acquisition cost is likely to remain constant in the near future. The cost of placing an order is Rs. 50,000 per order. Compute the optimal Inventory for the year ahead using EOQ model.
- (c) Define various approaches of working capital? Is hedging approaches is viable for a start-up ?
