

M.B.A. CBCS Pattern Semester-II  
**PCB2F06 / C26 - Financial Management**

P. Pages : 2

Time : Three Hours



**GUG/W/23/10687**

Max. Marks : 70

- Notes :
1. Attempt **any five** questions.
  2. All questions carry equal marks.
  3. Use present value table.

1. The following information has been extracted from the balance sheet of fashion Ltd. as on 31 Dec. 2015. **14**

Particulars	Rs. In laks
12% Debenture	400
Equity share capital	400
Term loan (Int) 18%	1200
	<hr/>
	2000

- a) Determine WACC of the company. If had been paying dividend at a consistent rate of 20% per annum.
- b) What difference will it make if current market price of the Rs. 100 share is Rs. 160.
- c) Determine the effects of Income Tax on cost of capital index both premises.

2. Pioneer chemicals is evaluating two alternative system for waste disposable system A & system B which have lives of 6 years & 4 years respectively. The initial outlay & operating costs for the systems are expected to be as follows . **14**

	System A	System B
Initial outlay	Rs. 4 million	Rs. 3 million
Annual operating cost	Rs. 1.2 million	Rs. 1 million

If the discount rate is 13% which system should pioneer choose? Ignore salvage value.

3. Prepare an estimate of working capital requirement from the following information of a Trading concern. **14**

A trading concern :

- |  |                  |
|--|------------------|
| a) Project annual sales                                | 1,00,000/- units |
| b) Selling price                                       | Rs. 8 per unit   |
| c) Percentage of net profit on sales                   | 25%              |
| d) Average credit period allowed to customers          | 8 weeks          |
| e) Average credit period allowed by suppliers          | 4 weeks          |
| f) Average stock holding in terms of sales requirement | 12 weeks         |
| g) Allow 10% for contingencies                         |                  |

4. a) X Ltd issues Rs. 50,000 8% debenture at par. The tax rate applicable to the company is 50% compute the cost of debt capital. **14**
- b) Y Ltd issues Rs. 50,000 8% debenture at a premium of 10% the tax rate applicable to the company is 60%. Compute the cost of debt capital.
- c) A Limited issues Rs. 50,000 8% debentures of discount of 5%. The tax rate is 50%. Compute the cost of debt capital.

- d) B Ltd issues Rs. 1,00,000 9% debentures at a premium of 10%. The cost of floatation are 2% and the tax rate applicable is 60% compute the cost of debt capital.
5. A company offers 12% rate of interest on deposits. What is the effective rate of interest if the compounding is done i)  $\frac{1}{2}$  yearly ii) Quarterly iii) Monthly **14**
6. Write in detail long term source of financing. **14**
7. Evaluate commercial papers & certificate of deposits as source of financing. **14**
8. Explain the concept of under capitalization with its causes & remedies. **14**
9. What is capital budgeting? Explain techniques of capital budgeting in detail. **14**
10. Write a note on **any two**. **14**
- a) Gordon model.
- b) Privatization.
- c) MACC
- d) Lease & time purchase.

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