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VI Semester B. E. Sept / Oct 2024 Examinations

COMMON TO ALL PROGRAMS EXCLUDING IEM

MODEL QUESTION PAPER

Elements of Financial Management

(2021 SCHEME)

Time: 03 Hours

Maximum Marks: 100

Instructions to candidates:

1. Answer all questions from Part A. Part A questions should be answered in first three pages of the answer book only.
2. Answer FIVE full questions from Part B. In Part B question number 2 is compulsory. Answer any one full question from 3 and 4, 5 and 6, 7 and 8 and 9 and 10.
3. Use of Interest Factor Tables is permitted.

PART – A (Objective type for one or two marks)

(True & false and match the following questions are not permitted)

1	Answer all questions	Marks	BT	CO
1.1	Distinguish between Repo rate and Reverse Repo rate.	02	2	1
1.2	What is meant by Perpetual Annuity?	02	2	1
1.3	List the steps involved in Earnings Capitalization Approach.	02	1	2
1.4	List the two basic conditions that should be satisfied for using the company's Weighted Average Cost of Capital (WACC) for evaluating new investments.	02	1	2
1.5	Mention the two ways in which equity capital may be obtained.	02	1	3
1.6	Mention the two principle sources of finance for a business firm.	02	1	3
1.7	What is Follow on Public Offer (FPO)?	02	2	3
1.8	Distinguish between Call option and Put option.	02	2	4
1.9	List the three ways in which a company may raise equity capital in the primary market.	02	1	3
1.10	Mention the two major accrual items included in working capital.	02	1	3

PART – B (Maximum subdivision is limited to 4 in each question)

UNIT – I					
2	a	Discuss the key elements of the regulatory framework applicable to corporate investment and financing decisions.	10	2	1
	b	Discuss the three broad areas of Financial Decision Making.	06	2	1
UNIT – II					
3	a	If you deposit Rs. 5,000 today at 12% rate of interest, in how many years (roughly) will this amount grow to Rs.1,60,000? Work this problem using the rule of 72.	06	3	1
	b	A Rs.200/-par value bond carries a coupon rate of 12% and maturity period of 8 years. The interest rate is payable semi-annually. Compute the value of the bond if Required Rate of Return is 14%.	05	3	1
	c	The expected dividend per share is Rs.12/-.The dividend is expected to grow at the rate of 7% per year. If the price of the share is Rs.145/- now, determine the Expected rate of Return.	05	3	1
OR					
4	a	Illustrate the relationship between Risk and Return.	05	3	1
	b	A Rs. 100 par value bond bears a coupon rate of 14 percent and matures after 5 years. Interest is payable semi-annually. Compute the value of the bond if the required rate of return is 16 percent.	05	3	1
	c	Prestige's equity share is expected to provide a dividend of Rs.2.00 and fetch a price of Rs.18.00 a year hence. What price would it sell for now if investor's required rate of return is 12%?	06	3	1
UNIT – III					
5	a	Classify the investment criteria into 2 broad categories and provide a brief note on each. Also provide an illustration.	10	4	2