Cluster Innovation Centre
University of Delhi
End Semester Examination May 2023

Name of the Course: B. Tech (IT & Mathematical Innovation)
Semester: VI
Paper Title: Handling money: Finance management
Paper code: 32867606
Maximum marks: 50 Time duration: 02 Hrs.

*Instructions: Attempt any **FIVE** questions from the following:*
*Each question carries equal marks (i.e. **10 Marks**).*

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1. Financial Management is an interdisciplinary field of study. Do you agree? What are the major types of financial management decisions a firm must take and how these decisions are interrelated?

2. Write short notes on the following:
   a. Discounting
   b. Compounding
   c. Annuity due

3. "Cash flows occurring at different points of time are not comparable". Explain the reasons and how can they be made comparable?

4. A project requires an initial outlay of Rs 50000 and has a life of 5 years. It generates year ending profits before depreciation and taxes (PBDT) of Rs 11000, Rs 12000, Rs 48000, Rs 60000, and Rs 15000. It is depreciated on using straight line method. Tax rate is 35% and cut off rate is 16%. Compute the following:
   a. Accounting rate of return
   b. NPV
   c. Payback Period
   d. Profitability index

5. a. "Cost of retained earnings is less than the cost of external equity". Do you agree? Explain.
   b. Calculate the cost of equity using CAPM model for a company for which investment advisors and its own analysis indicate the risk-free rate to be 6%, Beta, β equals 1.7 and market return, R_M to be 12%.
   c. A ltd. issued 15% perpetual debentures of Rs 100 each at a discount of 5%. The tax rate applicable to the company is 40%. Calculate the cost of debt.

d. A company's share is trading in the market at Rs 200 per share. Expected dividend is Rs 20. Growth rate in dividends is 6%. Floatation cost is 5%. What is the cost of equity?

6. Mango Pvt Ltd. has a share capital of Rs 20,00,000 divided into shares of Rs 100 each. For introducing a new product-line it requires an additional investment of Rs. 10,00,000. Therefore, as an alternative financial plan, company issues 10,000 equity shares of Rs 100 each. Company's current EBIT is Rs 800000 p.a. The company is in tax bracket of 30%. Calculate the effect of each of the mode of financing mentioned above (i.e., existing and alternative one) on EPS presuming EBIT continues to be same even after expansion.

Suppose yourself as a financial manager of this company, which proposal will be accepted by you? The Existing one or alternative one, Comment and suggest what can be done in the capital structure mix to improve EPS. You can present your details in the following format:

Particulars	Existing Capital Structure	Alternative Capital Structure
EBIT		
EPS		

7. "Dividends are relevant for the valuation of a firm". Do you agree? Give reasons in support of your answer.