



PART A

Answer ALL the questions

5x10=50

1. What are the major types of financial decisions that a business firm makes? How do they involve risk –return trade off.
2. In what respect is the objective of wealth maximization superior to profit maximization objective?
- 3."What are the key functions of financial management, and why is it important for an organization's success?"
4. Calculate the maturity amount of Rs. 2, 00,000 invested for 2 years at 12% compounded a) annually, b) semi-annually, c) quarterly, and d) monthly.
- 5.a)Alex Industries Ltd. offers 14% interest on fixed deposits. What is the effective rate of interest if compounding is done a) half-yearly, b) quarterly, and c) monthly? **(6Marks)**
b) Ms. Illakiyaa has deposited Rs. 5, 00,000 in IOB. Interest is compounded at 6% p.a. for 3 years. Compute the amount of maturity.
(4 Marks)



PART A

Answer any FIVE of the following questions

5x10=50

- Define portfolio analysis and state its main objectives.
- Mr.A is evaluating alternative investment opportunities to make Investment bonds. The details are as follow:

Particulars	Bond Price Rs.	Coupon Rate (%)	Life of Bond (Years)	Redemption value	Frequency of Interest	Rate of Return (%)
Option-I	1,000	8	5	At par	Annually	10
Option-2	1,000	10	5	At par	Annually	8
Option-3	1,000	8	5	At par	Bi-annual	10
Option-4	1,000	10	5	At par	Bi-annual	8
Option-5	1,000	8	8	At par	Annual	10
Option-6	1000	8	5	At 10% Premium	Annual	10

Observe and Comment

- A firm has sales of Rs. 10, 00,000, variable cost of Rs. 7, 00,000 and fixed costs of Rs. 2, 00,000 and debt of Rs. 5, 00,000 at 10% rate of interest. What are the operating, financial and combined leverages? If the firm wants to double its Earnings before interest and tax (EBIT), how much of a rise in sales would be needed on a percentage basis?
- A Limited company has the following capital structure:

Particulars	Rs.
Equity share capital (2,00,000 shares)	40,00,000
6% Preference shares	10,00,000
8% Debentures	30,00,000
Total	80,00,000

The market price of the company's equity share is Rs. 20. It is expected that company will pay a current dividend of Rs. 2 per share, which will grow at 7% forever. The tax rate may be presumed at 50%. You are required to compute the following:

- a) A weighted average cost of capital based on existing capital structure.
 - b) The new weighted average cost of capital if the company raises an additional Rs. 20, 00,000 debt by issuing 10% debentures. This would result in increasing the expected dividend to Rs. 3 and leave the growth rate unchanged but the, price of the share will fall to Rs. 15 per share.
5. Discuss the various methods of capital budgeting decisions.

*** ALL THE BEST^^



PART A

Answer any FOUR of the following questions

4x10=40

1. Discuss the functions of a Chief Financial Officer.
2. The following are the cash inflows and outflows of a certain project.

Year	Outflows (Rs.)	Inflows (Rs.)
0	1,50,000	
1	30,000	30,000
2		30,000
3		50,000
4		60,000
5		40,000

The salvage value at the end of 5th year is Rs. 40,000, Taking the out of rate of 10%. Calculate NPV.

Year	1	2	3	4	5
NPV @10%	0.909	0.826	0.751	0.683	0.621

3. Discuss briefly the different approaches to the computation of the Cost of equity capital.
4. Explain briefly the concept of working capital and mention the important objectives of working capital management.
5. Explain various factors influencing working capital.

PART B

1x10=10

Answer the following question

6. From the following information from the books of Ajay manufacturers, compute the operating cycle in number of days and the working capital requirement.

Period covered	365 days
Average period of credit allowed by suppliers	16 days
	(Rs in '000s)
Average total of debtors outstanding	480
Raw material consumption	4,400
Total production cost	10,000
Total cost of sales	10,500
Sales for the year	16,000
Value of average stock maintained:	
Raw material	320
Work in progress	350
Finished goods	260

*****ALLTHE BEST*****