

END SEMESTER EXAMINATION, MAY - 2026**B. Com. (Hons.) Semester - II Paper Code: 551110****Subject Name: Financial Management****Subject Code: BCM204****Time allotted: 03 Hours****Max. Marks: 100****Note: Read all the instructions carefully**

Q.1		VERY SHORT ANSWER QUESTIONS – Attempt All.	(10x2 = 20 Marks)
a.	In capital budgeting, the payback period method considers the time value of money. Justify.		CO1
b.	What do you mean by capital budgeting?		CO1
c.	What do you mean by capital structure?		CO1
d.	What is the Present value?		CO1
e.	Define the dividend payout ratio.		CO1
f.	What are the limitations of the ARR method?		CO2
g.	Explain stock split.		CO2
h.	Define Cost debt capital		CO2
i.	You have deposited Rs. 10,000 in a fixed deposit in a bank at 6% rate of interest. How much will you get after 5 years?		CO2
j.	Explain "Time Value of Money".		CO2
Q.2		SHORT ANSWER QUESTIONS – Attempt any Five.	(5x4 = 20 Marks)
a.	You have borrowed a 3 year loan of Rs. 100000 at 9% from a prominent bank to buy a car. If the bank requires five equal repayments that what will be the amount of annual equal installment.		CO3
b.	What factors should be considered in capital budgeting decisions?		CO3
c.	Explain the factors which determine the dividend policy of the firm.		CO3
d.	How you will determine the cost of redeemable Preference shares Illustrate your answer with the help of suitable example.		CO3
e.	Discuss the objectives of financial management		CO4
f.	Differentiate between discounting and non-discounting techniques of capital budgeting		CO4
g.	A company is expecting a net income of Rs. 120000. It has Rs. 500000, 8% debentures. The equity Capitalization rate of the company is 10%. You are required to calculate the value of the firm and overall capitalization rate according to the Net Income Approach.		CO4
Q.3		STRUCTURED QUESTIONS – Attempt any Three.	(3x10 = 30 Marks)
a.	Explain the Gordon's dividend model. What are its assumptions?		CO4
b.	ABC Company issued 2,000 8% debentures with a face value of Rs.200 each at 10% discount with a maturity period of 7 years. The effective tax rate for the company is 20%. Calculate the after-tax cost of redeemable debentures for ABC Company.		CO4
c.	Explain the discounting and non-discounting techniques of ranking investment proposals		CO5
d.	Company UVW has earnings per share (EPS) of Rs. 6 and a dividend payout ratio of 50%. The required rate of return (k) for the company's equity shareholders is 18%. According to Walter's model, what would be the change in market price per share if the dividend payout ratio increases to 60%?		CO5

P.T.O./-

Q.4 Case Analysis/ Situation Based QUESTIONS – Attempt any Two.			(2x15 = 30 Marks)																			
a	R Ltd is making a choice between two proposals which require an equal investment of Rs. 150000 each and are expected to generate net cash flow as under.		CO5																			
	<table><tr><td></td><td>Project I Rs</td><td>Project II Rs.</td></tr><tr><td>1</td><td>40000</td><td>60000</td></tr><tr><td>2</td><td>49500</td><td>30000</td></tr><tr><td>3</td><td>14000</td><td>25000</td></tr><tr><td>4</td><td>30000</td><td>22000</td></tr><tr><td>5</td><td>25000</td><td>0</td></tr><tr><td>6</td><td>0</td><td>8000</td></tr></table> Which project will preferred according to: i. NP method ii. PI method Presuming a discount rate of 12% and the present value of Re. 1 at this rate being .893, .797, .712, .636, .567 and .507 for one to six years				Project I Rs	Project II Rs.	1	40000	60000	2	49500	30000	3	14000	25000	4	30000	22000	5	25000	0	6
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4	30000	22000																				
5	25000	0																				
6	0	8000																				
b	ABC Company is considering a new project that requires \$1,000,000 in financing. The company's capital structure consists of the following components:		CO6																			
	<table><tr><td>Component</td><td>Book Value</td><td>Market Value</td><td>Cost of Capital</td></tr><tr><td>Debentures</td><td>5,00,000</td><td>5,50,000</td><td>6%</td></tr><tr><td>Equity Shares</td><td>4,00,000</td><td>6,00,000</td><td>12%</td></tr><tr><td>Preference Shares</td><td>1,00,000</td><td>1,20,000</td><td>8%</td></tr></table> Calculate the weighted average cost of capital (WACC) for ABC Company.			Component	Book Value	Market Value	Cost of Capital	Debentures	5,00,000	5,50,000	6%	Equity Shares	4,00,000	6,00,000	12%	Preference Shares	1,00,000	1,20,000	8%			
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c	A Ltd. Has a share capital of Rs .2,00,000 divided into share of Rs. 10 each. It has a major expansion program requiring an investment of another Rs. 100,000. The Management is considering the following alternatives for raising this amount: Issue of 10,000 equity shares of Rs. 10 each Issue of 10000, 12% preference shares of Rs. 10 each Issue of 10% debentures of Rs. 100,000 The company’s present Earnings Before Interest and Tax (EBIT) are Rs. 80,000 per annum subject to tax @ 50%. You are required to calculate the effect of the above financial plan on the earnings per share presuming EBIT continues to be the same even after expansion		CO6																			
