

Time: 2 ½ Hours

Maximum Marks 70

Instructions:-Attempt all questions

Marks are given against each question

**Q.1** Define term "Financial Management". Discuss three broad area of financial decision making. Also discuss goal of wealth maximization. (14)

OR

**Q.1. (A)** XYZ Company issued 2 years ago 12 percent bond with a face value of Rs. 1000 for 8 years. Investors required rate of return at 15 percent. Determine the value of Bond. (7)

**(B)** A company issues 12 percent preference stock with face value of Rs.100 redeemable after 5 years. Required rate of return is 10 percent. Determine value of preferred stock. (7)

**Q.2** Write a detail note on (14)

1. Factors influencing working capital
2. Sources of Working capital

OR

**Q.2** XYZ Ltd. is examining the question of relaxing its credit policy. It sells at presents 2,000 units at a price of Rs. 25 per unit. The variable cost is Rs. 22 per unit, Average cost per unit is Rs. 23. All the sales are on credit, the average collection period being 36 days. Fixed cost is Rs. 20,000. A relaxed credit policy is expected to increase sales by 10 percent and the average age of receivables of 60 days. Assuming 15 percent return, should the firm relax its credit policy? (14)

**Q.3.** Lohia Chemical Ltd. Has the following book value capital structure on 30 March, 2015 (14)

Source of Finance	Amount (Rs.)	Proportion (%)
Share Capital	4,50,000	45
Reserve and surplus	1,50,000	15
Preference share Capital	1,00,000	10
Debt	3,00,000	30

The expected after tax component costs of the various sources of finance for Lohia Ltd are as follows

Source	Cost (%)
Share Capital	18
Reserve and surplus	18
Preference share capital	11
Debt	8

Calculate weighted average cost of capital of Lohia Ltd. Based on the existing capital structure.

OR

**Q.3** what is capital budgeting? Explain the significance of capital budgeting decisions, classification of projects in capital budgeting and difficulties in capital budgeting

**Q.4** The selected financial data for Idea Cellular Ltd., Airtel Ltd. And BSNL Have provided following information for the current year ended March31 (14)

Particulars	Ideal Cellular Ltd	Airtel Ltd	BSNL
Variables cost as a percentage of sales	66.67	75	50
Interest expenses (Rs.)	200	300	1,000
Degree of operating leverage	5	6	2
Degree of Financial Leverage	3	4	2
Income –tax- rate	35%	35%	35%

Prepare income statements for Ideal Cellular Ltd., Airtel Ltd., and BSNL

OR

**Q.4.** Distinguish between (14)

1. Operating lease and Finance lease
2. Advantages of leasing

**Q.5 (A)** The following information is available for Avanti Corporation (7)

- Earning Per share: Rs. 4
  - Rate of return on investments: 18 percent
  - Capitalization rate is : 15 percent
- What will be the price per share as per the Walter model if the payout ratio is 40 percent? 50 percent and 60 percent.

**(B)** The following information is available for Savita Ltd. (7)

- Earnings per share: Rs. 5
- Capitalization rate is :16 percent
- Assuming that the Gordon valuation model holds, what rate of return should be earned on investments to ensure that the market price is Rs. 50 When the dividend payout is 40%

OR

**Q.5** Write a detail note on (14)

1. Types of dividend policy
2. Factors influencing dividend policy of a firm