Q1(A) Explain the concept of Bond Valuation. Discuss different Bond Valuation Models with illustration. Examine the relationship between Coupon Rate, Required Yield and Price. Examine the concept of Current Yield, Yield to Maturity and Yield to Call   [14

OR

Q1(A)(i) Describe Organization of Finance Function   [07

Q1(A)(ii) Explain functions of a Financial System   [07

Q1(B) Answer any **Four** questions: -   [04

1. Write two goals of Financial Management
2. Write three Finance Functions
3. Write formula of calculating Present Value of an Annuity
4. Write Future Value of a single amount
5. Give an example of Financial Institution/Intermediaries
6. Give an example of Financial Market

Q2(A) Define the term Working Capital. Explain the factors influencing Working Capital Requirements. Discuss different strategies of financing Working Capital.   [14

OR

Q2(A)(i) Explain the measures of Cash Balance. What are the ways and means of conserving cash?   [07

Q2(A)(ii) Explain Credit Policy Variables with suitable illustrations.   [07

Q2(B) Answer any **Four** questions: -   [04

1. Define the term Float.
2. Write formula of Acid Test Ratio
3. Write Formula of Current Ratio
4. Write Formula of Debtors Turnover Ratio
5. Write formula of EOQ
6. Write two methods of Inventory Valuation

Q3(A) Explain types of investment decisions.   [14
Also solve the following numerical.
A project costs Rs 81,000 and is expected to generate net cash inflow of Rs 40,000, Rs 35,000 and Rs 30,000 over its life of 3 years. Calculate the project's net present value and the internal rate of return. Should the machine be purchased?

OR

Q3(A)(i) What is the difference between cash flows and profits? How are cash flows calculated? Briefly explain what is nominal and real return?   [07

Q3(A)(ii) Briefly explain the concepts of Opportunity cost of capital and Weighted Average Cost of Capital.   [07

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Q3(B) <u>Answer any **Three** questions</u>:- [03

1) IRR is the rate at which NPV is 0. True / False

2) PI is an absolute measure. True / False

3) Calculate cost of preference share whose market price is Rs. 95 and dividend is Rs. 10 / share.

4) State 3 components of cash flow.

5) State the CAPM equation for calculating cost of equity.

Q4(A) Explain the importance of an efficient capital structure and solve the following numerical. [14

X Co. has a net operating income of Rs 200,000 on an investment of Rs 1,000,000 in assets. It can raise debt at a 16 per cent rate of interest. Assume that taxes do not exist. Using the NI approach and an equity-capitalisation rate of 18 per cent, compute the total value of the firm and the weighted average cost of capital if the firm has

(i) no debt, (ii) Rs 300,000 debt, (iii) Rs 600,000 debt.

OR

Q4(A)(i) What is venture capital financing? Explain the features of venture capital and state the process of venture capital financing. [07

Q4(A)(ii) Write a short note on Equity as a source of long term financing. [07

Q4(B) <u>Answer any **Three** questions</u>:- [03

1) From the following details calculate expected price of stock using Gordon's dividend model. r = 0.15, k = 0.10, g = 0.09, dividend = Rs. 4.

2) State any 3 assumptions of MM approach of dividend theory.

3) State any 3 types of leasing.

4) State any 2 difference between leasing and hire purchase.

5) Under which type of dividend policy does amount of dividend remain constant?

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