

- Instructions :** (1) This paper contains **FIVE** questions.  
 (2) All questions are compulsory.  
 (3) Question No. **2, 3, 4** have internal options.  
 (4) Figures in the right side in parenthesis indicate marks.

**Q:1** What is Financial Management and explain its objectives? **10**

**Q:2** What is the meaning of capital structure of a company. Explain Net Income approach under Capital Structure Relevance Theory. **10**

**OR**

**Q:2** The following details are provided by the GSP Limited

Equity share capital.	65,00,000
12% Preference Share Capital.	12,00,000
15% Redeemable Debentures.	20,00,000
10% Convertible Debentures.	8,00,000

The cost of equity capital for the company is 16.30 % and tax rate for the company is 30%.

You are required to calculate the WACC of the company. **10**

**OR**

**Q:3** The company issued 5,000 20 % debentures of Rs 100 each at a premium of 10% on 1.4.2010 to be matured on 1.4.2020. The debentures will be

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redeemed on maturity. Compute the cost of debentures assuming 35% as tax rate. 10

OR

Q:3 The production estimated for next year is 50,000 units. Each unit consume 4 kg of raw material and price of raw material is Rs 10 per kg. Management estimate to keep 3 months inventory in stock. Calculate the amount of raw material inventory requirements of the company. 10

Q:4 What are the determinants of Dividend decision. 10

OR

Q:4 What is the meaning of Dividend decision and explain Walter's Model under Dividend relevance theory. 10

Q:5 Define IRR method. Also Calculate the IRR of an investment of Rs 1,36,000 which yields the following cash inflows: 10

Year	Cash inflow
1	30,000
2	40,000
3	60,000
4	30,000
5	20,000

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