



Seat No. : _____

DB-104

December-2025

Five Years Integrated M.B.A., Sem.-III

**MBA (Integrated), MBA (Integrated) in BI, MBA (Integrated) in APR
DSC-C-FM-232/DSC-C-FA-232/DSC-C-AFM-232 : Financial Management
(FM) / Financial Analytics (FA) / Advertising Financial Management (AFM)**

Time : 2:00 Hours]

[Max. Marks : 50

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

1. (A) The cost of various types of capital of HK Co. Ltd. is given below along with target market proportions. Compute WACC and missing values from the following :

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Source of funds	Amount (₹)	Proportion in total capital structure	Cost of capital (%)
Debts	2,40,000	(?)%	5.68
Preference share	(?)	(?)%	9.33
Equity share (₹ 100 each)	4,00,000	(?)%	13.30
Retained earnings	80,000	(?)%	13.00
Total	8,00,000	(?)%	

1. (B) A Ltd. issues ₹ 1,00,000, 8% debentures at a discount of 5%. The tax rate is 60%, compute the cost of debt capital and another company B Ltd. issues ₹ 10,00,000, 9% debentures at a premium of 10%. The costs of floatation are 2%. The tax rate applicable is 50%. Compute the cost of debt - capital for both the companies and compare it.

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OR

1. Define cost of capital and explain its importance in brief.

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2. Solve the following : 10
- (A) XYZ Ltd. issues 25,000, 7% preference shares of ₹ 120 each. The cost of issue is ₹ 3 per share. Calculate the cost of preference share capital if these shares are issued: (a) at par (b) at a premium of 12% (c) at a discount of 5%. 4
- (B) ABC Ltd. issues 15,000, 10% preference shares of ₹ 200 each at a premium of 8%, redeemable after 6 years at par. The cost of issue is ₹ 5 per share. Calculate the cost of preference share capital. 4
- (C) A company plans to issue 12,000 new shares of ₹ 150 each at par. The flotation costs are expected to be 6% of the share price. The company pays a dividend of ₹ 18 per share initially, and the growth in dividends is expected to be 4%. Compute the cost of the new issue of equity shares and if the current market price of an equity share is ₹ 180, calculate the cost of existing equity share capital. 2

OR

2. Solve the following : 10
- (A) ABC Ltd. issues 30,000, 9% preference shares of ₹ 150 each, redeemable after 10 years at a premium of 15%. The cost of issue is ₹ 3 per share. Calculate the cost of preference share capital. 4
- (B) The current market price of the shares of A Ltd. is ₹ 105. The flotation costs are ₹ 6 per share. The expected dividend per share is ₹ 5, and the dividends are expected to grow at a rate of 6%. You are required to calculate the cost of equity share capital. 4
- (C) XYZ Ltd. issues 25,000, 9% preference shares of ₹ 100 each. The cost of issue is ₹ 5 per share. Calculate the cost of preference share capital if these shares are issued : (a) at par (b) at a premium of 12% (c) at a discount of 5%. 2

3. Explain decision tree approach in detail and draw a decision tree with a hypothetical example. 10

OR

3. Write a detailed note on capital budgeting. 10
4. Explain the terms 'dividend' and 'dividend policy'. Discuss all the types of dividend policies in detail. 10

OR

4. State the essentials of a good dividend policy. Which are the two types of theories used in determining dividend policy ? State the models included in both the types of theories and explain the M&M model in detail. 10

5. Do as directed : (Any **ten** out of **twelve**)

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- (1) What is the formula to calculate cost of equity with growth model ?
 - (2) Which dividend policy implies paying out all earnings as dividends ?
 - (3) If the payout ratio is 0.78, what will be the retention ratio ?
 - (4) Which policy ensures dividend payment every year irrespective of profits ?
 - (5) Dividend paid using a promissory note is known as what ?
 - (6) Which economists developed the dividend irrelevance theory ?
 - (7) Which method evaluates best, worst, and most likely outcomes ?
 - (8) Which derivative gives the right to buy the underlying asset ?
 - (9) State the full form of ROI.
 - (10) Face value of preference share = ₹ 100, Issued at 10% premium, Floatation cost = ₹ 4. Calculate Net Proceeds.
 - (11) Net Profit after tax = ₹ 90,000, Number of equity shares = 10,000. Calculate Earnings Per Share.
 - (12) Which budgeting area deals with long-term investment decisions ?
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