

IMBA in FS (Rep) Sem.-4 Examination

FS-402

Financial Management - II

Time : 2-30 Hours]

May-2025

[Max. Marks : 70

Instructions:

- Figures to the right indicate Full Marks.
- Do not write anything on the question paper.
- Simple calculator is allowed. Do not use a scientific calculator.

Q.1	Write a detailed Note on the different components of Cost of Capital in detail.	14																								
<u>OR</u>																										
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<table border="1"> <thead> <tr> <th>Sources of Funds</th> <th>Amount</th> <th>Proportions in Total Capital Structure</th> <th>Cost of Capital (K)</th> </tr> </thead> <tbody> <tr> <td>Debts</td> <td>2,40,000</td> <td>30%</td> <td>5.68</td> </tr> <tr> <td>Pref.Share Capital</td> <td>80,000</td> <td>10%</td> <td>9.33</td> </tr> <tr> <td>Eq. Share Capital (Rs.100 Each)</td> <td>4,00,000</td> <td>50%</td> <td>13.30</td> </tr> <tr> <td>Cost of Retained Earnings</td> <td>80,000</td> <td>10%</td> <td>13.00</td> </tr> <tr> <td></td> <td>Total</td> <td>100%</td> <td></td> </tr> </tbody> </table>			Sources of Funds	Amount	Proportions in Total Capital Structure	Cost of Capital (K)	Debts	2,40,000	30%	5.68	Pref.Share Capital	80,000	10%	9.33	Eq. Share Capital (Rs.100 Each)	4,00,000	50%	13.30	Cost of Retained Earnings	80,000	10%	13.00		Total	100%	
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Compute the WACC From the Following.																										
Q.2	By Investing Rs.50,000 in a Project, the Cash Flow available for 5 Years is as Follows, Find out the Internal Rate of Return.	14																								
The Cost of Capital is 10% and 15% Respectively.																										
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(P.T.O)

Q.2

A choice is to be made between two competing Projects Alpa and Bina which require an initial Investment of Rs.60,000 and Rs.50,000 and are expected to generate net cash Flow are as under:

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End of the Year	Project-Alpa	Project-Bina
1	30,000	10,000
2	20,000	5,000
3	20,000	5,000
4	10,000	20,000
5	5,000	20,000
6	5,000	30,000

The Cost of Capital of the Company is 10%. Which Project Proposal Should be Accepted? And Why? Evaluate the Proposals, under the Following Methods:

1) Pay-Back Period Method.

2) NPV Method.

3) Profitability Index Method.

Q.3

Following details of the Shubham Ltd.

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Particulars	Amount
Eq. Share Capital (Each of rs.10)	Rs.2,00,000
10% Debentures	Rs.4,00,000
The Following Information Related to 2010-2011	
Sales	Rs.10,00,000
Variable Costs	Rs.5,80,000
Fixed Cost (Excluding Interest and Taxes)	Rs.2,80,000
Tax Rate	40%

Calculate the all 3 Types of Leverages.

OR

Q.3

The Balance Sheet of the Bhide Ltd. as on 30-03-2018 is as Follows: During the 2017-2018 Company's Sales is Rs.8,00,000 Fixed Expenses are Rs.1,60,000

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which variable Cost is 45% of Sales, Income Tax Rate is 50%.

Calculate for the Company all the 3 Types of Leverages in detail.

Balance Sheet

Liabilities	Amount	Assets	Amount
Eq. Share Capital @Rs.10 Per Share	1,00,000	Net Fixed Assets	2,50,000
12% Debenture	1,20,000	Current Assets	80,000
Reserves and Surpluses	40,000		
Current Liabilities	70,000		
Total	3,30,000	Total	3,30,000

Q.4 Explain the Determinants of the Dividend Policy in detail. 14

OR

Q.4 Write a Factors affecting the Dividend Pay-out in detail. 14

Q.5 Write the Following (Any 7 out of 10) 14

- 1) Write any 3 Advantages of Pay-Back Period in detail.
- 2) Mention the Formula of all the 3 leverages.
- 3) Explain the Process of Capital Budgeting in detail.
- 4) Mention any 2 disadvantages of Net Present Value Method in detail.
- 5) Mention the Formula of Cost of Preference shares in detail.
- 6) What is Cost of Capital? Write in detail.
- 7) Write any 3 advantages of Profitability Index in detail.
- 8) Write any 3 Disadvantages of Average Rate of Return in detail.
- 9) Mention the Formula of Average Rate of Return and Payback Period Method.
- 10) Why Pay-Back Period Method is so much Important? Write in detail.