

T.Y.B.Com Courses (CBCS) Ordinance (Semester - VI)
Examination June 2022
Business Management : Financial Management II (DSE 5)

Duration : 2 Hours

Max. Marks : 80

Instructions:

1. Question No. 1 is compulsory.
2. Answer any 3 questions from Q.2 to Q.6
3. Figures to the right indicate maximum marks allotted.

Q.1. Write short notes on **any four**.

4X 5 = 20

- a) Walter's theory of dividend.
- b) Interim dividend.
- c) Profitability index as a technique of capital budgeting.
- d) Cost of capital.
- e) Dividend payout ratio.
- f) Capital Budgeting.

Q.2.a. Raj Ltd has obtained capital from the following sources. You are required to calculate weighted average cost of capital using:

i) Book value weights

ii) Market value weights

10 marks

Sources	Book value	Market value	Cost of capital (%)
Debentures	4,00,000	4,00,000	6
Preference share capital	1,00,000	1,00,000	8
Equity share capital	3,00,000	9,00,000	13
Retained earnings	2,00,000		9

b. Jairaj Ltd. is expected to disburse a dividend of Rs. 30 on each equity share of Rs. 10. The current market price of share is Rs. 80. Calculate the cost of equity capital as per dividend yield method.

5 marks

c. Explain any two factors influencing dividend policy of a firm.

5 marks

Q.3. a. Viraj Ltd is considering a purchase of new machine. Two alternative machines, Machine ABC having cost of ₹ 5,00,000 and Machine XYZ having cost of ₹ 5,80,000 have been suggested. The company's cost of capital is 15%. The earnings after tax and before depreciation are expected to be as follows.

Year	Machine ABC	Machine XYZ
1	1,00,000	2,00,000
2	1,50,000	2,10,000
3	1,80,000	1,80,000
4	2,00,000	1,70,000
5	1,70,000	40,000
Salvage value at the end of 5th year	50,000	60,000

Discounted value of ₹ 1 @15% for 5 years is given below:

Year	1	2	3	4	5
P.V. @ 15%	0.87	0.76	0.66	0.57	0.50

Evaluate the machines under

- 1) Pay back period method
- 2) Net present value method and advice which of the machine is to be selected. **15 marks**

b. What is capital budgeting? **5 marks**

Q.4 a. The summarized balance sheet of Raviraj Ltd. on 31st March 2020 is as follows.

Balance sheet

Liability	Amount	Asset	Amount
Equity capital (Rs. 10 per share)	6,00,000	Net fixed assets	15,00,000
10% debentures	8,00,000	Current assets	5,00,000
Retained earnings	2,00,000		
Current liabilities	4,00,000		
	20,00,000		20,00,000

The company's total turnover ratio is 4. Its fixed operating cost is Rs. 15,00,000 and variable cost ratio is 40%. The income tax rate is 50%.

- i. Calculate the company's financial leverage, operating leverage and combined leverage.
 - ii. Calculate the EPS. **15 marks**
- b. Write a note on Internal Rate of Return method of project evaluation. **5 marks**

Q.5. a. Explain the capital budgeting process. **10 marks**
 b. List and explain the different types of projects. **10 marks**

Q.6. a. Write a note on types of cost. **10 marks**
 b. Write a note on Walter's model. **10 marks**
