



AJEENKYA

D Y PATIL UNIVERSITY

End Term Examinations (December 2018)

School : School of Management

Program: B.Com-Hons.

Course: Financial Management

Course Code: MGT201

Semester: III

Max Marks: 50

Duration (mins.) : 120 minutes

Instructions for Students:

- A. Questions from Section – A is Compulsory question carries 20 Marks.
- B. Section – B is Compulsory question carries 20 Marks.
- C. Answer any One questions from Section – C. Each question carries 10 Marks.

(Section – A)

Q No 1) A) Suppose a firm has a capital structure exclusively comprising of ordinary shares amounting to Rs. 5,00,000. The firm now wishes to raise additional Rs. 5,00,000 for expansion. The firm has three alternative financial plans: **(20 marks)**

- a) It can raise the 50% as equity capital and 50% as debentures.
- b) It can raise the entire amount as 10% debenture.
- c) it can raise 50% as equity and 50% as 10% preference capital.

Further assume that the existing EBIT are 1,20,000, the tax rate is 30%, outstanding shares 5,000 and the market price per share is Rs. 100 under all the three alternatives. Which plan should the firm select, give comment?

Or

B) i) Explain the following:

- a) Net Income Approach **(5 marks)**
 - b) Difference between Operating Leverage and Financial Leverage. **(5 marks)**
- ii) Explain in detail the capital structure theory given by Modigliani-Miller. **(10 marks)**

(Section – B)

Q no 2) a) Calculate the Degree of Operating Leverage, Degree of Financial Leverage and Combine Leverage from the following information: **(7.5 + 7.5 = 15 marks)**

Particulars	Firm A	Firm B
Fixed Cost	7,000	14,000
Selling Price	36,000	75,000
Variable Cost	12,000	22,500
Interest on Borrowed funds	2,000	5,000

b) A man is investing Rs 10,000 for 3 years at 10% p.a. How much he should expect at the end 3rd year ? **(5 marks)**

Or

a) Explain in detail the Walter's model of Dividend Theory. **(12 marks)**

b) A man wants to invest Rs. 2,00,000 at the end of every year for the next three years for a interest rate of 10% p.a. How much he should expect after 3 years? **(8 marks)**

(Section – C) (Solve any One)

Q no 3) Calculate the Pay Back Period for machines A. Provide depreciation on a straight-line basis. **(10 marks)**

Particular	Machine A (Rs.)
Cost	56,125
Estimated NPADT	
Year 1	3,375
2	5,375
3	7,375
4	9,375
5	11,375
Estimated Life	5 years
Estimated Salvage Value	3000

Q no 4) What do you mean by Financial management? Explain the goals of a financial manager. **(3+7=10 marks)**

Q no 5) Explain the following:

a) Operating Leverage and Combine Leverage; **(2.5 + 2.5 = 5 marks)**

b) Accounting Rate of Return and NPV method of capital budgeting **(2.5 + 2.5 = 5 marks)**