CARMEL COLLEGE OF ARTS, SCIENCE & COMMERCE FOR WOMEN, NUVEM-GOA
SEMESTER END EXAMINATION, JUNE 2022
Semester: VI OF BCOM
Course Title: Financial Management II (DSE 5) Course Code: UCOD119
Total marks: 80 Date: 11/06/2022 Duration: 2 hrs. Total No of pages:

Instructions: *1.All questions are compulsory.*

2. Figures to the right indicate marks.

Q.I. Answer **<u>any FOUR</u>** from the following. **(16 marks)**

1. Explain stable dividend policy.
2. Explain profitability index.
3. Discuss specific cost and composite cost.
4. Explain realised yield approach and cost of retained earnings.
5. Discuss the kinds of capital budgeting decisions.
6. Explain in detail cost of debt.

Q.II. Answer **<u>any FOUR</u>** from the following. (**16 marks**)

1. Discuss the forms of dividends.
2. Cost of capital is an important area in financial management. Justify the statement.
3. Discuss specific cost and composite cost.
4. Explain payback period.
5. Explain financial leverage.
6. Explain capital budgeting and its features.

Q. III A. Discuss in detail Walters and Gordon’s model of dividend decisions.

OR **(12 marks)**

B. Discuss the determinants of dividend policy.

Q. IV. A. Explain weighted average cost of capital and cost of equity. **(12 marks)**

OR

B. From the following capital structure of ABC Ltd., you are required to calculate the weighted average cost of capital using

1. Book value weights
2. Market value weights

Sources of capital	**Book value**	**Market value**	**After tax cost**
Debentures	30,00,000	30,00,000	4.33%
Preference shares	20,00,000	30,00,000	11.77%
Equity shares	40,00,000	60,00,000	15.69%
Retained earnings	10,00,000	———	13%

Q. V. A. State and explain the importance of capital budgeting decisions. **(12 marks)**

OR

B. The company is considering an investment proposed to install a new machinery. The project will cost ₹ 6,00,000 and will have a life of 5 years and no salvage value. The company's tax rate is 50%. The firm uses straight line method of depreciation. The estimated income after tax and depreciation from the proposed investment is as follows:

Years	**Income after tax and Depreciation**
1	5000
2	20,000
3	50,000
4	25,000
5	80,000

Calculate the following

1. Pay back period
2. Average rate of return

Q. VI. A. “Capital budgeting is long term planning for making and financing proposed capital outlays”. Discuss the process of capital budgeting. **(12 marks)**

OR

B. BPL Ltd. Issued 1000 9% preference shares of ₹ 100 each redeemable after 5 years at par. Cost of issue is ₹ 4 per share.

Estimate the cost of preference shares when:

i. Issued at par

ii. Issued at 4% premium

iii. Issued at 8% discount

iv. What will be the kp if the cost of issue is ₹ 2 per share?

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