

School of Business
Bachelor of Business Administration Aviation Management
Mid Term Examination - Nov 2023

Duration : 90 Minutes
 Max Marks : 50

Sem III - D1UA301T - Financial Management

General Instructions
 Answer to the specific question asked
 Draw neat, labelled diagrams wherever necessary
 Approved data hand books are allowed subject to verification by the Invigilator

- 1) Demonstrate the significance of various financial decisions K2 (2)
- 2) Define the concept of time value of money (TVM) and its significance in financial decision-making. K1 (3)
- 3) Mention the differences between fund flow and cash flow? K2 (4)
- 4) Utilize the concept of irrelevance and relevance dividend theories. K2 (6)
- 5) A firm is considering an expenditure of Rs. 75 lakhs for expanding its operations. The relevant information is as follows:
 Number of existing equity shares =10 lakhs
 Market value of existing share =Rs.100
 Net earnings =Rs.100 lakhs.
 Solve the cost of existing equity share capital and of new equity capital assuming that new shares will be issued at a price of Rs. 92 per share and the costs of new issue will be Rs. 2 per share. K3 (6)
- 6) You are looking to buy a new car worth Rs. 500,000 at the end of five years. Determine the annual amount you need to save to afford the car if the applicable interest rate is 10% per annum. K3 (9)
- 7) (a) A Ltd. issues Rs. 10,00,000, 8% debentures at par. The tax rate applicable to the company is 50%. Compute the cost of debt capital. K4 (8)

 (b) B Ltd. issues Rs. 1,00,000, 8% debentures at a premium of 10%. The tax rate applicable to the company is 60%. Examine the cost of debt capital.
- 8) A firm has the following capital structure and after-tax costs for the different sources of funds used: K4 (12)
 (a) Book value weights, and
 (b) Market value weights

A firm has the following capital structure and after-tax costs for the different sources of funds used :

Source of Funds	Amount Rs.	Proportion %	After-tax cost %
Debt	12,000	20	4
Preference Shares	15,000	25	8
Equity Shares	18,000	30	12
Retained Earnings	15,000	25	11
Total	60,000	100	

You are required to compute the weighted average cost of capital.

OR

Sunlife Pharma Company issues Rs. 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 K4 (12)