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School of Finance and Commerce

Bachelor of Commerce Honours

Mid Term Examination - Nov 2023

Duration : 90 Minutes

Max Marks : 50

Sem III - H1UB304T - Financial ManagementGeneral 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) Summarize the concept of operating leverage and its effects on a firm's profitability. K2 (2)
- 2) Identify the various types of investment security K1 (3)
- 3) Describe the three basic reasons why EPS maximization fails. K2 (4)
- 4) Explain the three broad areas of financial management. K2 (6)
- 5) Model how future value and present value of an annuity can be determined. K3 (6)
- 6) Identify the differentiate between Profit maximization and wealth maximization. K3 (9)
- 7) An investor holds a portfolio with two stocks, Stock A and Stock B. Stock A has a weight of 60% and an expected return of 12%, while Stock B has a weight of 40% and an expected return of 8%. With the help of the given information, discover the portfolio's expected return. K4 (8)
- 8) A company has a target capital structure of 40% debt, 50% equity, and 10% preferred stock. The cost of debt is 8%, the cost of equity is 12%, and the cost of preferred stock is 10%. Discover the weighted average cost of capital (WACC). K4 (12)

OR

- Examine the impact of changes in interest rates on a company's cost of capital and explain how a company might adjust its financing strategy accordingly. K4 (12)