

Instruction to Candidates:

- 1) Section - A is compulsory.
- 2) Attempt any Nine questions from Section - B.

Section-A

Q1) [15 × 2 = 30]

- a) What is meant by financing decisions?
- b) Mention two limitations of Accounting rate of return.
- c) Explain Financial Risk.
- d) Mention the utility of public deposits as a source of fund.
- e) Explain operating Lease.
- f) Discuss the relation between debt financing and financial leverage.
- g) What is a letter of credit?
- h) Differentiate between Bonus issue and stock split.
- i) Define the term 'take over.'
- j) What is Capital Asset pricing model?
- k) How cost of preference share capital is calculated?
- l) What is dividend pay-out Ratio?
- m) Explain the concept of Capital Rationing.
- n) Mention two advantages of Lease financing.
- o) Define Economic Value added in relation to shareholder's value criteria.

Section-B

[9 × 5 = 45]

Q2) "Shareholder's wealth maximisation is preferred as an objective of Financial Management than profit maximisation as objective of Financial Management." Justify.

Q3) Discuss the working of Arbitrage process with the help of suitable examples.

Q4) Under what kind of circumstances 'NPV' and 'IRR' gave contradictory results and why?

Q5) Discuss the uses of Lease Financing from Lessee's point of view.

Q6) Distinguish between Net Income and Net operating Income approach of optimal capital structure.

Q7) Describe the main determinants while estimating the working capital requirements.

Q8) Discuss the theory of irrelevance of Dividends.

Q9) Discuss the Reasons and factors affecting mergers and Acquisitions.

Q10) What is weighted Average cost of capital? How it is capital?

Q11) Initial outlay (Co) Rs. 1, 20, 000.

Life of an Asset 8 years.

Estimated Net Annual cash in flow

1st year Rs. 30000

2nd year Rs. 40000

3rd year Rs. 60000

4th year Rs. 40000

Calculate Internal rate of return.

Q12) A company issues 1000, 7% preference shares of Rs. 100 each at a premium of 10% redeemable after 5 years at par. Calculate the cost of preference share capital.

Q13) Describe the factors affecting long term fund requirements.

