

Sr.No.1295

Exam Code: 110105
Subject Code : 2567

**Bachelor of Vocation (Banking & Financial Services) - 5th Semester
(2221)**

Paper : BVC-501 Financial Management

Time allowed: 3 hrs.

Max. Marks: 50

NOTE: - Attempt any **five** questions, selecting at least **one** question from each section. Question 5 can be attempted from any section. All questions are of equal marks.

SECTION-A

1. Examine the relationship of financial management with other functional areas of a firm.
2. Discuss the Modigliani Miller Approach theory of capital structure with two suitable examples.
Critically evaluate various approaches to the financial management.

SECTION-B

3. You are required to determine the weighted average cost of capital (K) of the X Ltd. The following information is available for The X Ltd.'s present book value capital structure is:

Debentures (Rs. 100 per debenture)	16,00,000
Preference shares (Rs. 100 per share)	4,00,000
Equity shares (Rs. 10 per share)	20,00,000

All these securities are traded in the capital markets. Recent prices are debentures @ Rs. 110, preference shares @ Rs. 120 and equity shares @ Rs. 22. Anticipated external financing opportunities are:

- (1) Rs. 100 per debenture redeemable at par: 20-year maturity, 8% coupon rate, 4% flotation costs, sale price Rs. 100.
- (ii) Rs. 100 preference share redeemable at par: 15-year maturity, 10% dividend rate, 5% flotation Costs, sale price Rs. 100.
- (iii) Equity shares Rs. 2 per share flotation costs, sale price Rs. 22.

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In addition, the dividend expected on the equity share at the end of the year Rs. 2 per share anticipated growth rate in dividends is 5% and the company has the practice of paying all in the form of dividends. The corporate tax rate is 50%.

4. Briefly examine the significance of identification of investment opportunities in capital budgeting process.

SECTION-C

5. What is dividend? Explain the types of dividend. Explain the approaches of dividend decision.

6. Explain the irrelevance and relevance dividend theories. State the criticism of MM approach.

SECTION-D

7. Discuss the concept of working capital? What are the types of working capital?

8. (a) The following information has been collected from the annual report of Garden Silks. What is the degree of financial leverage?

Total sales Rs. 1400000

Contribution ratio 25%

Fixed expenses Rs. 150000

Outstanding bank loan Rs. 400000 @ 12.5%

Applicable tax rate 40%

(b) Write a note on trading on equity.

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