Determine the value of the share under the following scenarios:

(i) The Equity Capitalization rate is 12%

(ii) The Equity Capitalization rate is 14%

(iii) The growth rate increases to 7% instead of 6% (keeping Equity Capitalization rate at 12%)

(iv) The Equity Capitalization rate is 14% and the growth rate declines to 5%

Calculate the share price in each case using the Gordon Growth Model.

(18)

OR

(a) What are some major contemporary challenges facing the global financial system? (8)

(b) A ₹10,000 bond with a 12% coupon rate matures in 6 years and is currently selling at 95% of its face value. Is this bond a desirable investment for an investor whose required rate of return is 13%?

(10)

[This question paper contains 8 printed pages.]

Your Roll No..............

Sr. No. of Question Paper : 8594 **J**

Unique Paper Code : **2414001202**

Name of the Paper : GE- Financial Management for Beginners

Name of the Course : B.Tech. (CSE) / B.Tech. (ECE) / B.Tech. (EE)

Semester : II

Duration : 3 Hours Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **all** questions
3. All questions carry equal marks.

1. **a)** Define Financial Management. Mention its objective in the modern business environment.

(6)

b) Discuss the differences between ownership capital and borrowed capital. Explain with examples the situations where each source is most suitable for a business. (12)

OR

a) A company is evaluating an investment that promises to pay Rs. 10,000 annually for the next 5 years.
The required rate of return is 10%.
Using the Present Value Annuity Factor (PVAF), calculate the Present Value of the investment.

(PVAF @ 10% for 5 years = 3.7908)

Should the company invest if the initial cost is Rs.35,000? (6)

b) Differentiate between Compounding and Discounting with suitable examples. Explain how these concepts are used in financial decision-making. (12)

2. XYZ Ltd has the following balance sheets as on March 31, 2025,

Balance Sheet	31/03/2025 (In Lakhs)
Sources of funds:	
Shareholder's fund	4,200

(i) Compute the earnings per share (EPS), if:

- The additional funds were raised as debt
- The additional funds were raised by issue of equity shares.

(ii) Advise the company as to which source of finance is preferable (10)

4 (a) What are stock dividends? How do they differ from cash dividends? (8)

(b) What is the impact of stock splits on the face value and market value of shares? Describe the effect of a bonus issue on a company's balance sheet. (10)

OR

(a) Discuss the implications of under-financing and over-financing of working capital. (8)

(b) Explain the types of working capital with suitable examples. (10)

5. ABC Ltd. is currently paying a dividend of ₹ 2 per share, and it is expected to grow at 6% per annum.

Sales	Rs. 50,000
Variable cost	60%
Fixed cost	Rs. 12,000

(ii) Calculate the Financial Leverage from the following data:

Net worth	Rs. 25,00,000	
Debt/Equity Ratio	3:1	
Interest rate	12%	
Operating Profit	Rs. 20,00,000	(8)

(b) A company earns a profit of ₹3 lakh Parayana after meeting its interest liability of ₹1,20,000 on 12% debentures. The tax rate is 50%. The number of equity shares of ₹10 each are 80,000 and the retained earnings amount to ₹12,00,000. The company proposes to take up an expansion scheme for which a sum of ₹4,00,00 is required. It is anticipated that after expansion, the company will be able to achieve the same rate of return on investment. As at present, the funds required for expansion can be raised either through debt at the rate of 12% or by showing equity shares at par.

Required:

Loan funds	2,750
Application of funds	
Fixed assets	2,300
Cash and bank	470
Debtors	2,150
Stock	1,370
Other current assets	2,830
Less: current liabilities	(2,170)
Net Assets	**6,950**

The income statement of the XYZ Ltd for the year and it is as follows:

Particulars	2024-2025 (In lakhs)
Sales	**18,540**
Less: Cost of Goods Sold (COGS)	(16,700)
Gross Profit	**1,840**
Less: Selling, General & Admin Expenses	(930)
EBIT	**910**
Less: Interest	(240)

Profit Before Tax	**670**
Less: Tax	(220)
Profit After Tax	**450**

Calculate any **SIX** of the following ratios:

1. Current Ratio
2. Quick Ratio
3. Debt-Equity Ratio
4. Interest Coverage Ratio
5. Return on Capital Employed (ROCE)
6. Inventory Turnover Ratio
7. Average Collection Period
8. Net Profit Margin (18)

OR

A company requires an initial investment of ₹30,00,000. The estimated net cash flow are as follows:

Year	1	2	3	4	5
Cash Flow	-	4,00,000	18,00,000	12,00,000	7,00,000

Using 12% as the cost of capital, determine the following:

1. Pay-back period
2. Net Present Value
3. Internal Rate of Return (18)

3. The following information has been extracted from the Balance Sheet of Fashions Ltd. as on 31/12/2023.

Particulars	(₹Lakhs)
Equity	400
12% Debentures	400
Term Loan (Interest Rate 18%)	1,200
Total	2,000

(i) Determine the weighted average cost of capital of the company. It had been paying dividend at a consistent rate of 20% per annum.

(ii) What a difference will it make if the current market price of ₹100 share is ₹160?

(iii) Determine the effect of income tax on the cost of capital under both cases. Assume tax rate at 40%. (18)

OR

(a) (i) Calculate the Operating Leverage from the following data: