



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.A. DEGREE EXAMINATION – ECONOMICS

SIXTH SEMESTER – APRIL 2015

EC 6602 - FINANCIAL MANAGEMENT

Date : 20/04/2015
Time : 09:00-12:00

Dept. No.

Max. : 100 Marks

PART-A

Answer any FIVE questions in about 75 words each:

(5×4=20)

1. What is financial management?
2. Bring out the demerits of sole proprietorship.
3. What are the objectives of SEBI?
4. What is meant by primary market?
5. Calculate the present value of ₹ 8000 at the end of 8 years at a discount rate of 8%.
6. What is the importance of cost of capital?
7. Write short note on explicit cost.

PART-B

Answer any FOUR questions in about 300 words each.

(4×10=40)

8. What are the emerging roles of financial manager in India?
9. Distinguish between co-operative society and company in India.
10. Bring out the impact of direct tax on Companies Act in India.
11. What are the instruments of Indian financial system?
12. Susie Lee owns the Lotus Blossom Bar and Restaurant and is considering the following investment to upgrade the existing facilities. The cash flows for the investment are estimated as follows:

End of year	0	1	2	3	4	5
Cash Flow(CF)₹	1,00,000	10,000	20,000	40,000	50,000	30,000

Assuming the opportunity cost of capital is 12 per cent. Calculate the investment's net present value (NPV), and based on your findings advise Susie if she should undertake the investment project.

13. Explain the classification of cost capital.
14. ABC Ltd paid a dividend of Rs.4 per share, and end of the year. It is expected to grow by 8% each year for the next four year. The market price of the shares is expected to be Rs.60 and end of four years. Assuming 12% required rate of return of investors at what price should the shares of ABC Ltd sell?

PART-C

Answer any TWO questions in about 900 words each:

(2×20=40)

15. Discuss the nature and scope of Financial Management.
16. Analyze the SEBI guidelines on Companies Act.
17. Discuss the various Indicators of financial Development.
18. International foods at the following capital structure:

Particulars	Book value (Rs)	Market Value (Rs)
Equity capital (2.5 million share of Rs.10 par)	2,50,00,000	4,50,00, 000
Preference capital(50,000 share of Rs.100 par carrying 13% dividend)	50,00,000	45,00,000
Reverse & surplus	1,50,00,000	
Debentures (150,000 debentures of Rs. 100 par, carrying 14% Interest)	1,50,00,000	1,45,00,000
Total	6,00,00,000	6,40,00,000

The expected dividend per share is Rs. 1.40. The dividend per share is expected to grow at rate of 8% forever. Preference shares are redeemable after 5 years, whereas debentures are redeemable after 6 years. The tax rate for the company is 50%. Calculate the weighted average cost of capital for the existing capital structure using market value proportion as weight.

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