LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

B.A. DEGREE EXAMINATION – **ECONOMICS**

SIXTH SEMESTER – **NOVEMBER 2024**

UEC 6503 – FINANCIAL MANAGEMENT

Date: 23-11-2024 Dept. No. Max. : 100 Marks

Time: 09:00 am-12:00 pm

	SECTION A - K1 (CO1)	
	Answer ALL the Questions	**(10 x 1 = 10)**
1.	**Fill in the blanks:**	
a)	Debt -equity mix is called as _______________	
b)	Loanable funds theory is used to determine ___________________	
c)	What is the present value of cash flow of Rs 1500 per year forever at an interest rate of 8%?	
d)	______________shareholders are called as owners of the company	
e)	The difference between present value of cash inflows and cash outflows is known as ________________________	
2.	**Match the following:**	
a)	MRTP	1951
b)	SEBI	1969
c)	FEMA	1991
d)	IDRA	1934
e)	RBI	1973
	SECTION A - K2 (CO1)	
	Answer ALL the Questions	**(10 x 1 = 10)**
3.	**Answer the following:**	
a)	Financial management mainly focuses on ______________________________ a) Efficient management of every business b) All elements of acquiring and using means of financial resources for financial activities c) Arrangement of funds d) Brand dimension	
b)	Indian companies Act was amended in 1956 State True/False	
c)	Type of market in which securities more than one year maturity are traded, is classified as Money market -State True/False	
d)	________________ is defined as "the value derived from the use of money over time as a result of investment and reinvestment. a) Time value of money b) Total value of money c) Time scale of money d) None of the above	
e)	__________________ is the cost of obtaining another rupee of new capital.	
4.	**Answer the following:**	
a)	Write a note on accrual principle.	
b)	Point out the features of co-operatives form of organisation.	
c)	Mention the constituents of financial system.	
d)	Mr. Govind invests Rs.20,000 at an interest rate of 8% p.a. The interest is compounded annually.	

	Calculate the compound value after 5 years .
e)	What is meant by cost of capital?

SECTION B - K3 (CO2)	
Answer any TWO of the following in 100 words each.	**(2 x 10 = 20)**
5.	Discuss the goal of wealth maximization as a better operative criterion than profit maximization.
6.	Distinguish between public and private companies.
7.	Sathya Ltd, issued 10,000, 10% debentures at Rs.100 each. The debentures are redeemable after 10 years at premium of 5%. If the tax rate is 50%, calculate the cost of debt before tax and after tax.
8.	An investment of Rs 10,000 yields the following returns:

Year	1	2	3	4	5
CFAT	4000	4000	3000	3000	2500

The cost of capital is 10%. Is the investment desirable? Identify it according to NPV method assuming the P.V. factors for 1^{st},2^{nd},3^{rd},4^{th},5^{th} year – 0.909,0.826,0.751,0.683,0.620 respectively.

SECTION C – K4 (CO3)	
Answer any TWO of the following in 100 words each.	**(2 x 10 = 20)**
9.	Define the scope of financial management. What role should the financial manager play in a modern enterprise?
10.	State and explain the indicators of Financial Development.
11.	Explain the features of Debentures.
12.	Discuss the specific cost of capital.
SECTION D – K5 (CO4)	
Answer any ONE of the following in 250 words	**(1 x 20 = 20)**
13.	Explain the impact of financial management on the related disciplines.
14.	Discuss the modern methods of capital budgeting.
SECTION E – K6 (CO5)	
Answer any ONE of the following in 250 words	**(1 x 20 = 20)**
15.	The following is the capital structure of SAM Ltd

Source	Book value	Market value	After tax cost
Debentures	12,00,000	12,00,000	5%
Pref.Share capital	4,00,000	4,00,000	10%
Equity share capital	8,00,000	16,00,000	15%
Retained earnings	16,00,000	-	12%

Calculate the weighted average cost of capital using book value weights and market value weights.

16.	Explain the Financial market equilibrium using a four panel diagram.
