LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.A. DEGREE EXAMINATION – ECONOMICS

SIXTH SEMESTER – APRIL 2010

EC 6602 - FINANCIAL MANAGEMENT

Date & Time: 20/04/2010 / 9:00 - 12:00 Dept. No. Max. : 100 Marks

PART – A

Answer any FIVE in about 75 words each (5 x 4 = 20 marks)

1. What are the goals of Financial Management?
2. What is the nature and scope of Business Finance?
3. What are the various forms of business organizations?
4. Differentiate the application of Direct and Indirect Taxes in companies.
5. What are the Indicators of Financial Development?
6. Explain the term cost of debt Capital.
7. Distinguish between equity capital and retained earnings.

PART – B

Answer any FOUR in about 250 words each (4 x 10 = 40 marks)

8. Bring out the relationship between Finance, Economics and Commerce.
9. Distinguish between the frame work of Private and Public Company.
10. Write a note on the structure of the Co-operative Society in India.
11. Explain the rationale of Valuation of Security.
12. Bring out the merits and demerits of long term security.
13. (a). Describe the approach to common stock valuation.
    (b). Find the compound value of annuity when three equal yearly payments of Rs.2,000 is deposited into an account, that yields 7% compound interest.
14. Write a short note on:
    (a). Discount rate.
    (b). Find out the present value of annuity of Rs.3,000 over three years when discounted at 10%.

PART – C

Answer any TWO in about 900 words each (2 x 20 = 40 marks)

15. Evaluate the role of Financial Management in India.
16. Discuss the merits and demerits of the various forms of Business Organisations.
17. Critically evaluate the functions of various financial institutions in India.
18. A Limited company has the following capital structure:

Equity Share Capital (2, 00,000 shares)	Rs.40, 00,000
6% Preference shares	Rs.10, 00,000
8% Debentures	Rs.30, 00,000
	Rs.80, 00,000

The Market price of the company's equity share is Rs.20. it is expected that company will pay a current dividend of Rs.2 per share which will grow at 7 percent of ever. The tax rate may be presumed at 50 percent. You are required to compute the following:

a) A weighted average cost of capital based on existing capital structure.

b) The new weighted average cost of capital if the company raise an additional Rs.20, 00,000 debt by issuing 10 per cent debentures. This would result in increasing the expected dividend to Rs.3 and leave the growth rate unchanged but the price of share will fall to Rs.15 per share.

c) The cost of capital if in (b) above, growth rate increases to 10 per cent.

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