

<b>LM3 ADN</b>
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**TIME : 2 Hrs.****MARKS : 60****Note :**

- 1) All questions carry equal marks.
- 2) Attempt all questions after considering internal option.

Q.1.

(5 marks each)

- 1) Explain the Wealth Maximization Approach of Financial Management.
- 2) What are the qualities of a successful Finance Manager ?
- 3) Explain the Financing Decision and Dividend policy Decision as per Modern Approach to Financial Management.

**OR**

Q.1.

- 1) Explain the Traditional Approach and Modern Approach in brief.
- 2) Explain the Profit Maximization Approach to Financial Management.
- 3) Explain any five different objectives of Financial Management.

Q.2.

(5 marks each)

- 1) Explain the concept of Time value of money alongwith compounding and Discounting.
- 2) Explain the Payback period method and Average or Accounting Rate of Return.
- 3) Explain the Internal Rate of Return (IRR) Method used in capital Budgeting.

**OR**

- Q.2. 1) The cash flow streams for two alternative investments A and B for Josh Ltd. are as follows :- (10)

Year	Project A Rs.	Project B Rs.
0	(5,00,000)	(5,25,000)
1	1,25,000	2,00,000
2	2,00,000	1,50,000
3	2,50,000	2,00,000
4	2,00,000	1,50,000
5	1,50,000	2,00,000

Calculate the payback period for both project A & Project B

- 2) A project involves the Investment of Rs. 12,50,000 which yields profits after depreciation and tax as stated below.

Year	Profit after depreciation and tax in Rs.
1	87,500
2	1,31,250
3	2,18,750
4	2,27,500
5	1,40,000

Calculate the Accounting Rate of Return (ARR) if at the end of 5th year value realised is Rs. 50,000.

Q. 3.

(5 marks each)

1. What is cost of capital? What is it used for?
2. Explain bonds with respect to
  - (i) Maturity period
  - (ii) Bonds in Perpetuity
  - (iii) Yield on bonds.
3. Explain Zero Growth, Constant Growth and Multiple Growth Models used for valuation of Equity shares.

OR

Q. 3. 1)

(9)

Riya Ltd. issues 20,000 10% preference shares of Rs. 100 each. Cost of issue is Rs. 5 per share. Calculate the cost of preference share capital issued.

- (i) at par
- (ii) at a premium of 10%
- (iii) at a discount of 5%

2)

(6)

Following is the capital structure of Ellis Ltd.

Particulars	Rs.
Equity share capital	11,25,000
Retained Earnings	3,75,000
Preference share capital	2,50,000
Debts.	7,50,000
	<u>25,00,000</u>

The firm's after tax component cost of various sources of finance are as follows :-

Sources	Cost (%)
Equity share capital	12
Retained Earnings	11
Preference share capital	10
Debts	13.5

You are required to calculate weighted Average cost of capital.

Q. 4.

(5 marks each)

1. What is Ratio ? What is Ratio Analysis ?  
Explain how comparison can be done using Ratios.
2. What are the factors determining working capital ?
3. What is Funds Flow statement ? What are its advantages ?

OR

Q. 4.

(5 marks each)

1. What are the objectives and uses of Ratio Analysis ?
2. Define working Capital and Explain the importance of working capital.
3. What is a cash Flow statement ? What are its benefits ?

