

PARUL UNIVERSITY
FACULTY OF COMMERCE
B.Com.(Hons) Summer 2018 – 19 Examination

Semester: 6

Date: 03/04/2019

Subject Code: 16100352

Time: 10.30 am to 1.00 pm

Subject Name: Financial Management- II

Total Marks: 60

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as directed.**A) Multiple choice type questions. (Each of one mark)****(06)**

1. _____ describes the relationship between systematic risk and expected return for assets, particularly stocks.

a) Capital Price Asset Model	b) Capital Asset Price Method
c) Capital Asset Pricing Model	d) All of the above
2. A company form of Business has _____ Liability.

a) Limited to Assets	b) Limited to the amount of Shares
c) Limited to the amount of Debentures	d) None of the above
3. In India, debentures are usually secured by a charge on the present and future immovable assets. This is called_____.

a) Equitable Mortgage	b) Asset Mortgage
c) Both (a) & (b)	d) None of the above
4. A _____ is a specialized firm that finances young, start-up companies.

a) Venture capital firm	b) finance company
c) Small Business finance company	d) Capital-creation company
5. _____ lease is a lease where the lessee maintains and insures the leased asset rather than the lessor in a full-service lease.

a) A financial	b) An operating
c) A net	d) None of the above answers are correct
6. Under hire purchase system the buyer is called _____.

a) Buyer.	b) Hirer.
c) Hire vendor.	d) Debtor

B) Definitions / One-liners / Terms. (Each of one mark)**(06)**

1. Sinking Fund
2. Pre emptive rights
3. Retained Earnings
4. Operating Lease
5. Project Financing
6. Hire Purchase

Q.2 Numerical / Short Note Questions. (Each of 04 mark)**(12)**

1. Explain the Buy back method of debenture Redemption.
2. ABC Ltd plans to issued 1,00,000 new equity share of Rs. 10 each at par. The floatation costs are expected to be 5% of the share price. The company pays a dividend of Rs. 1 per share and the growth rate in dividend is expected to be 5%. Compute the cost of new issue shares
3. Finance Lease V/S Operating Lease

Q.3 Answer the following. (Any Three)**(18)**

1. A company issued Rs. 1,00,000 10% redeemable debentures at a discount of 50%. The cost of floatation amount to Rs. 3,000. The debentures are redeemable after 5 years. Compute before– tax and after – tax Cost of debt. The tax rate is 50%.

2. A company issues 1,00,000 10% preference share of Es. 10 each. Calculate the cost of preference capital if it is redeemable after 10 years.
 - a) At par b) at 5% premium
3. A company earns Rs. 10 per share at an internal rate of return 15%. The firm has a policy of paying 40% of earning as dividend. If the required rate of return is 10%, determine the price of Share under Walter's Model and Gordon's Model.
4. Define Venture Capital Finance. Discuss the Different Stages of Venture Finance.

Q.4 Answer the following. (Any two)

(18)

1. Meaning, Definition of Debentures. Also explain its characteristics in detail.
2. Define Hire Purchase Financing. Discuss the differences between Hire purchase Finance & Installment Sales in detail with Example.
3. Define Project Financing. Discuss the Characteristics of Project Financing.