

PARUL UNIVERSITY
FACULTY OF COMMERCE
B.Com L.L.B Summer 2018 – 19 Examination

Semester: 6

Subject Code: 17302351

Subject Name: Financial Management II

Date: 18/04/2019

Time: 10:30 am to 1:00 pm

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)

- _____ describes the relationship between systematic risk and expected return for assets, particularly stocks.
 - Capital Price Asset Model
 - Capital Asset Price Method
 - Capital Asset Pricing Model
 - All of the above
- A company form of Business has _____ Liability.
 - Limited to Assets
 - Limited to the amount of Shares
 - Limited to the amount of Debentures
 - None of the above
- In India, debentures are usually secured by a charge on the present and future immovable assets. This is called_____.
 - Equitable Mortgage
 - Asset Mortgage
 - Both (a) & (b)
 - None of the above
- A _____ is a specialized firm that finances young, start-up companies.
 - Venture capital firm
 - finance company
 - Small Business finance company
 - Capital-creation company
- _____ lease is a lease where the lessee maintains and insures the leased asset rather than the lessor in a full-service lease.
 - A financial
 - An operating
 - A net
 - None of the above answers are correct
- Under hire purchase system the buyer is called _____.
 - Buyer.
 - Hirer.
 - Hire vendor.
 - Debtor

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

(06)

1. Dividend
2. Venture Capital Financing
3. Retained Earnings
4. Finance Lease
5. Project Financing
6. Installment Purchase

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

(12)

1. What is Lease Financing. How Finance Lease is different than Operating Lease?
2. Define Debenture. Explain the any one method of debenture Redemption with example in detail.
3. 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.

Q.3 Answer the following. (Any Three) (Each of 06 mark)

(18)

1. Define Venture Capital Finance. Discuss the steps of Venture capital Financing process with Examples.
2. 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. If the tax rate is 50%.
 - A. Compute Before Tax Cost of Debt

B. Compute After Tax Cost of Debt

3. 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 10% premium

4. . 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%.

A. Determine the price of Share under Walter's Model

B. Determine the price of Share under Gordon's Model

Q.4 Answer the following. (Any two) (Each of 09 mark)

(18)

1. . Define Hire Purchase Financing. Discuss the differences between Hire purchase Finance & Installment Sales in detail with Example.

2. Define Project Financing. Discuss the Key Features of Project Financing with Example.

3. Define Bond. Discuss the Important features and types of Bond with examples in detail.