

VPM's
DR VN BRIMS, Thane
Programme: PGDM (2015-17)
Third Trimester Examination April 2016

Subject	Financial Management-II		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	2	Date	18/04/2016

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1) 20 Marks (Compulsory)

Calculate net present value per share (NPV) based on following data

Number of shares 400

Debt Rs 5000

Tax rate 30%

Weighted average cost of capital (WACC) 9.75%

Particulars	Year 1	Year 2	Year 3	Year 4
Net profit	800	850	900	940
Depreciation	200	250	225	275
Capital expenditure	350	100	400	300
Change in working capital	-50	100	-75	25
Interest expense	300	320	330	350

Constant growth rate after four years is 4%

Attempt Any FOUR from the Remaining SIX Questions

Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- Elaborate sources of finance
- Explain interest as tax shield (tax adjusted interest cost) with example
- Comment on negative working capital

Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- Explain the concept of time value of money and its significance
- Explain the concept of future value
- Explain the concept of present value

Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- Comment on concept of risk and return
- What is diversification? Explain advantages and disadvantages.
- Comment on standard deviation as measure of risk

Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- What is beta value? Comment on significance.
- Explain concept of cost of equity based on capital asset pricing model
- Explain weighted average cost of capital with example.

Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain the concept of perpetuity and its significance
- b) Comment on dividend payout ratio
- c) Explain difference between constant growth model of dividend and multi-stage growth model of dividend

Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain difference between cash flows to equity shareholders and cash flows to firm
- b) What is net present value (NAV)
- c) Explain the concept of internal rate of return (IRR)