LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.A. DEGREE EXAMINATION – **ECONOMICS**

SIXTH SEMESTER – **APRIL 2013**

EC 6602 - FINANCIAL MANAGEMENT

Date: 30/04/2013 Dept. No. Max. : 100 Marks
Time: 1:00 - 4:00

PART-A

Answer any FIVE questions in about 75 words each: (5x4=20)

1. Bring out the Goals of Financial management.
2. Define Company.
3. List out the functions of Financial system.
4. What do you mean by Time value of money?
5. Determine the present value of the annuity consisting of cash inflows of Rs 1000 per Year for 5 years. The rate of interest earned from investment is 10%.
6. A company issues 15% debentures of Rs 100 for an amount aggregating Rs 1,00,000 at 10% premium, redeemable at par after 5 years .The company tax rate is 50%. Determine the cost of debt.
7. ABC Ltd has issued 14% preference shares of the face value of Rs 100 each to be redeemed after 10 years .Floating cost is expected to be 5%. Determine the cost of preference shares.

PART-B

Answer any four questions in about 300 words each: (4x10=40)

8. Discuss the relationship of financial management to Economics and Accounting.
9. Comment on the Emerging role of a financial manager in India.
10. Write short note on SEBI and its Guidelines.
11. Bring out the key financial intermediaries.
12. Explain the measurement of cost of capital.
13. A company has 15% perpetual debt of Rs 1, 00,000. The tax rate is 50%. Determine the cost of capital (before tax as well as after tax) assuming the debt is issued at (i) par (ii) 10% discount, and (iii) 10% premium
14. Discuss the various indicators of financial development.

PART-C

Answer any **TWO** questions in about 900 words each: (2x20=40)

15. Explain the nature and scope of financial management.
16. What are the advantages and disadvantages of following forms of Business Organization, Sole proprietorship, partnership, company and Cooperative society.
17. Explain the equilibrium of financial market.

18. A firms after tax cost of capital of the specific sources is as follows:

Cost of Debt	18%
Cost of preference shares	14%
Cost of equity funds	17%

The following is the capital structure

Source	Amount
Debt	Rs 3,00,000
Preference Capital	2,00,000
Equity Capital	5,00,000
Total	Rs 10,00,000

The following is the Market value for the different source of funds:

Source	Market value
Debt	Rs 2,70,000
Preference shares	2,30,000
Equity and retained earnings	7,50,000
Total	Rs 12,50,000

Calculate the weighted average cost of capital using book value weights and market value.

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