D/L/TX

Reg. No:

Final Assessment Test – November 2024

VIT Vellore Institute of Technology

Course: BHUM218L - Financial Management

Class NBR(s): 5096

Slot: D2+TD2

Time: Three Hours

Max. Marks: 100

- KEEPING MOBILE PHONE/ANY ELECTRONIC GADGETS, EVEN IN 'OFF' POSITION IS TREATED AS EXAM MALPRACTICE
- DON'T WRITE ANYTHING ON THE QUESTION PAPER

General Instruction : Factor tables can be permitted

PART – A (8 X 5 = 40 Marks)

Answer ALL Questions

1. Explain Agency Conflicts in business organisations.
2. John wishes to determine how much money he will have at the end of 5 years if he chooses annuity A, the ordinary annuity. He will deposit $1,000 annually, at the end of each of the next 5 years, into a savings account paying 7% annual interest.
3. Duchess Corporation now wishes to calculate its cost of common stock equity, r_s, by using the CAPM. The firm's investment advisors and its own analysts indicate that the risk-free rate, R_F, equals 7%; the firm's beta, b, equals 1.5; and the market return, r_m, equals 11%.
4. XYZ issues 2000 numbers, 10% preference shares of Rs. 100 each at Rs. 95 each. Calculate the cost of preference shares.
5. Ajay held equity shares of Xenon Ltd (Expected Return = 14%, Standard Deviation= 18%). Vijay has gifted him shares of identical market value of Year Ltd. (Expected Return= 20%, Standard Deviation = 24%). Determine the risk and return of the securities portfolio held by Ajay, if the correlation between the returns on the two securities is 0.8.
6. Differentiate between current assets and current liabilities.
7. Write a note on stock dividend.
8. Explain the three forms of market efficiencies.

PART – B (6 X 10 = 60 Marks)

Answer ALL Questions

9. Discuss the scope of financial management.
10. XYZ Bank pays 12% and compounds interest quarterly. If Rs. 1000 is deposited initially, how much shall it grow at the end of 5 years?

11.

Year	Project A (Rs)	Project B(Rs)
0	-42000	-45000
1	14,000	28000
2	14,000	12000
3	14,000	10000
4	14,000	10000
5	14,000	10000

Calculate the Net Present Value of the above projects assuming the cost of capital of 10%.

12. The share of a company is currently selling for Rs. 100. It wants to finance its capital expenditures of Rs. 100 million either by retained earnings or selling new shares. If the company sells new shares, the issue price will be Rs 95. The dividend per share, DIV_1, is Rs 4.75 and is expected to grow at 6%. Calculate i) the cost of internal equity (retained earnings) and ii) the cost of external equity (new issue of shares)

13.a) Explain the determinants of working capital.

OR

13.b) Elaborate on the trade-off between components of working capital.

14.a) Discuss any two theories of dividend.

OR

14.b) List out the determinants of dividend decisions.

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