

JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -2 EXAMINATION- Oct 2017

B.Tech IV Semester (One-to-One)

COURSE CODE: 10B11PD411

MAX. MARKS:25

COURSE NAME: Financial Management

COURSE CREDITS: 3

MAX. TIME: 1 Hr 30 mins

Note: All questions are compulsory. Carrying of mobile phone during examinations will be treated as case of unfair means. Make suitable assumptions, wherever necessary.

1. Mr. Devesh wants to purchase a car of Rs 10 lacs. He is willing to make a down payment of Rs 2 lacs from his pocket and take a loan for remaining amount @ 15% per annum. If loan is to be paid yearly, for six years, calculate his annual installments and prepare loan amortization schedule also. (2+5=7)
2. ABC Ltd wants to raise capital from the market by issuing equity and debt. The conditions are given below:
 - i) Debt can be raised as 15% @ Rs 500/- redeemable at par after 10 years and involve floatation cost of 2%.
 - ii) The equity can be issued at Rs 150/- per share. Dividend paid for last 4 years is Rs 10/- and this year as Rs 15/-.
 - iii) The book value of equity and debt is Rs 500 crores and Rs 300 crores respectively.Calculate cost of equity, cost of debt and WACC. (2+2+3=7)
3. "Financial Leverage is a double-edged sword". Comment. (2)
4. Differentiate between Effective and Nominal rate of interest with the help of suitable example. (3)
5. What is MM hypothesis and what are its contributions in understanding the concept of capital structure of a company? (4)
6. Why is a preference share called as hybrid security? (2)