



GOA UNIVERSITY

**B.Com Semester VI (CBCS)
EXAMINATION APRIL 2026**

Subject Name: Business Management, Major V

Paper Title: **Financial Management II**

Paper Code: **UCOD119**

Duration: **2 Hours**

Total Marks: **80**

Instructions: 1. Question No.1 is Compulsory.
2. Answer any 3 questions from Q. No 2 to Q.No.6
3. Figures to the right indicate full marks.
4. Give working notes wherever necessary.

Q1. Write short notes on any four: (4 x 5 marks = 20 marks)

- Gordon's Dividend Model
- Net Present Value
- Cost of Retained Earnings
- Net income approach to capital structure.
- Financial Leverage
- Dividend Payout Ratio

Q2. a) A firm has the following capital structure. Find out the weighted average cost of capital. (5 marks)

Sources	Book Value (Rs.)	After-Tax Cost(%)
Equity share capital	5,00,000	12%
Preference share capital	2,00,000	8%
Retained earnings	2,00,000	6%
Debentures	1,00,000	5%

b) A company's current earnings are Rs.1,25,000 to be distributed among 8,000 shares. The market price of each share is Rs.150 and the growth rate of dividend is estimated at 9%. Compute the cost of equity capital. **(5 marks)**

c) A company issues 10,000; 8% preference shares of Rs. 100 each. The cost of issue is Rs. 2 per share. Calculate the cost of preference shares if the shares are issued at par. **(5 marks)**

d) Explain in brief the cost of debt. **(5 marks)**

Q3 a) ABC Company is considering the purchase of a new machinery out of two alternatives available to them. Machine A and Machine B, each costing Rs. 2,00,000. Cash Inflows are expected to be as follows: (15 marks)

Year	Machine A	Machine B
1	20,000	60,000
2	60,000	80,000
3	80,000	1,00,000
4	1,20,000	60,000
5	80,000	40,000

The company has a target of return on capital of 10%. On the basis of NPV, you are required to compare the profitability of the machines and state which alternative is profitable. Also compute the payback period and give your conclusions.

Discount factor for Rs. 1 at 10% for n no of years.

Year	1	2	3	4	5
10% Discount Factor	0.91	0.83	0.75	0.68	0.62

b) Write a note on historical cost and future cost? (5 marks)

Q4. a) Following is the Balance Sheet of ABC Ltd as on 31st December 2025. (15 marks)

Balance sheet			
Liabilities	(Rs.) Amount	Assets	(Rs.) Amount
Equity Share Capital (Rs. 100 each)	4,50,000	Net fixed Assets	7,00,000
12% Debentures	3,00,000	Current assets	5,00,000
Retained earnings	2,80,000		
Current liabilities	1,70,000		
	12,00,000		12,00,000

The company's asset turnover ratio is 4. Fixed operating costs are Rs 8,00,000 and its variable operating ratio is 40%. The Income Tax rate is 35%. Calculate the following:

- 1.EPS
- 2.Operating Leverage
- 3.Financial Leverage
- 4.Combined Leverage

b) Write a short note on 'forms of dividend'. (5 marks)

Q5. a) Explain the factors affecting the Dividend Policy of a firm. (10 marks)

b) Discuss the importance of a sound capital structure. (10 marks)

Q6. a) Explain the steps in the capital budgeting process. (10 marks)

b) Discuss the various approaches to computing the cost of equity capital.(10 marks)
