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JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -3 EXAMINATIONS- 2026

BBA -IV Semester

COURSE CODE (CREDITS):24BB1HS413 (4) MAX MARKS: 35

COURSE NAME: Financial Management

COURSE INSTRUCTOR: TGM MAX. TIME: 2 Hours

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***Note:*** *(a) All questions are compulsory.*

*(b) The candidate is allowed to make Suitable numeric assumptions wherever required for solving problems*

*(c)* ***Use of calculator is allowed***

<table>
<tr><th>Q.No</th><th>Question</th><th>CO</th><th>Marks</th></tr>
<tr><td>Q1</td><td>Answer the following in 40 – 50 words.<br>a) Why would any investor buy a zero coupon bond/debenture?<br>b) How is Du Pont analysis useful for the management of an organisation?<br>c) Does wealth maximisation lead to lower or no profit?<br>d) Explain any two advantages of the company form of organisation.<br>e) What is the Effective Interest Rate for 10%, compounded quarterly?</td><td>1</td><td>5</td></tr>
<tr><td>Q2</td><td>Calculate the NPV of the following two projects and recommend their acceptance or rejection. Which of the two would you prefer and why?
<table>
<tr><th></th><th colspan="4">Cash Flows</th></tr>
<tr><th>Projects</th><th>$C_0$</th><th>$C_1$</th><th>$C_2$</th><th>$C_3$</th></tr>
<tr><td>A</td><td>-25,000</td><td>5,000</td><td>5,000</td><td>25,640</td></tr>
<tr><td>B</td><td>-28,000</td><td>12,672</td><td>12,672</td><td>12,672</td></tr>
</table></td><td>4</td><td>6</td></tr>
<tr><td>Q3</td><td>Calculate the cost of equity of a company whose current market price is Rs. 150. It is expected to pay a dividend of Rs. 3.55 per share next year. The dividend paid in the last six years is given below.
<table>
<tr><td>1998</td><td>1999</td><td>2000</td><td>2001</td><td>2002</td><td>2003</td></tr>
<tr><td>2.00</td><td>2.20</td><td>2.42</td><td>2.66</td><td>2.93</td><td>3.22</td></tr>
</table>
If the floatation cost is 5%, what is the cost of fresh equity?</td><td>3</td><td>4</td></tr>
<tr><td>Q4</td><td>a) “Market value weights should always be used for WACC calculations”. Comment on the statement.<br>b) Briefly explain any two advantages of the Capital Asset Pricing Model in calculating cost of equity.</td><td>3</td><td>3+3</td></tr>
<tr><td>Q5</td><td>How does the knowledge of operating, financial and combined leverages help a manager take a decision on capital structure. Explain in detail for each type of leverage.</td><td>5</td><td>4</td></tr>
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| Q6 | Calculate the indifference point between financing with all equity or 50% equity and 50% debt based on the given details.<br>Total funding required: Rs. 50,00,000<br>Sale price of share: Rs. 100<br>Interest rate on debt: 12%<br>Tax rate: 30% | 5 | 5 |
| Q7 | Prepare the loan amortization schedule for the first 4 months of a loan of Rs. 5,00,000 @ 10% to be paid back in 5 years in 60 Equated Monthly Installments. | 1 | 5 |