



## SECTION-B

### UNIT-I

- 2 Wealth maximisation is a better operational criterion for financial decisions making than profit maximisation. Discuss.
- 3 What are the various sources of long term financing for raising funds? Explain.

### UNIT-II

- 4 Discuss the planning of Capital Expenditure. Explain briefly the traditional and time adjusted methods of Capital Budgeting.
- 5 ABC Ltd. is considering an investment proposal to install a new control machine. The project will cost Rs. 1, 50,000. Expected life is 5 years and no salvage value. The firm uses straight line depreciation. The estimated cash flows before tax (CFBT) from the proposal as follows.

YEAR	1	2	3	4	5
CFBT Rs.	30,000	37,500	37,500	45,000	75,000

You are required to compute the following :

- a) Payback period
- b) Average rate on Average Investment
- c) Post pay back Profitability Index
- d) NPV@10% cost of capital
- e) Profitability Index (Gross)

### UNIT-III

- 6 What do you mean by cost of capital? Explain its significance in financial decision making.
- 7 A Company issues Rs. 1,00,000 10% debentures at a discount of 5%. The cost of floatation amount to Rs. 3,000. The debentures are redeemable after 5 years. Calculate the before tax and after tax cost of debt, assuming tax rate is 50%.

### UNIT-IV

- 8 Explain the various theories of Capital structure along with suitable examples.
- 9 Which factors determine the size of working capital?