



NP – 962

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VI Semester B.Com. (TTM) Examination, June/July 2025
(NEP) (F + R)

TOURISM AND TRAVEL MANAGEMENT
Paper – 6.1 : Advanced Financial Management

Time : 2½ Hours

Max. Marks : 60

Instruction : Answer in English only.

SECTION – A

1. Answer **any six** questions out of eight. Each question carries **two** marks. (6×2=12)
 - a) Define the term bonus share.
 - b) How do you define cost of capital ?
 - c) Mention any two ethical issues encountered in Financial Management.
 - d) What is the meaning of decision tree analysis ?
 - e) Name any four different types of capital.
 - f) Explain what is meant by sensitivity analysis.
 - g) A Ltd. issues 10,000 debentures of ₹ 100 each at 8% interest, issued at a 5% discount. If the tax rate is 50%, calculate the after-tax cost of debt capital.
 - h) What is meant by a stock dividend ?



SECTION – B

Answer **any three** questions out of five. Each question carries **four** marks. (3×4=12)

2. Harsha Ltd. declared a 200% dividend on its equity shares of ₹ 10 each for the year 2023 – 24. The market price of the shares was ₹ 340 and the company expects a 12% growth in earnings for the following year. Calculate the cost of equity for the company.
3. Discuss the importance and significance of the Price-to-Earnings (P/E) ratio.

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4. A company is evaluating a proposal to purchase a machine costing ₹ 35,000. The machine is expected to generate annual cash inflows of ₹ 20,000 for a period of 3 years, with a scrap value of ₹ 2,000 at the end of its useful life. The firm's cost of capital is 10% and the risk-adjusted discount rate is 18%. Based on this information, should the company proceed with the purchase.
5. Nikhil Ltd. had 1,000 equity shares of ₹ 100 each during a financial year. If the cost of equity is 20%, determine the share price using the MM model under the following scenarios :
 - a) No dividend is declared
 - b) A dividend of ₹ 10 per share is declared
6. Define risk. Explain the various types of risk involved in capital budgeting decisions.

SECTION – C

Answer any three questions out of five. Each question carries twelve marks. (3×12=36)

7. Using Walter's model, analyze how dividend policy impacts the market price of shares for ABC Ltd. The following information is provided.
 Equity Capitalization Rate (K_e) : 12%
 Earnings Per Share (EPS) : ₹ 8
 Assumed rates of return on investment (r) : (a) 15% (b) 10%
 Calculate and show the effect of different dividend payout ratios on the value of the firm's share in each case for the following payout ratios :
 - i) 0%
 - ii) 25%
 - iii) 50%
8. Describe the various types of dividends commonly declared by companies.
9. The Ragavendra Co. Ltd. is evaluating two investment projects, X and Y. Each project requires an equal initial investment of ₹ 5,000. The possible cash inflows along with their associated probabilities are given below,

Project X Possible cash inflow (₹)	Project Y Possible cash inflow (₹)	Probability (X)	Probability (Y)
4,000	12,000	0.1	0.1
5,000	10,000	0.2	0.15
6,000	8,000	0.4	0.5
7,000	6,000	0.2	0.15
8,000	4,000	0.1	0.1



10. What are the key factors that influence the determination of the cost of capital ? Discuss in detail.

11. Answer the following questions :

a) A company issues 20,000, 10% preference shares of Rs. 100 each. The cost of issues is Rs. 2 per share. Calculate the cost of preference share capital if then shares are issues

i) At par

ii) At 10% premium

iii) At 5% discount

b) A company issues 20,000, 10% preference shares of Rs. 100 each. Redeemable after 10 year at a premium of 5%. The cost of issue is Rs. 2 per shares. Calculate the cost of redeemable preference share capital.

c) From the following data relating to 3 Online shopping companies calculate their cost of equity for the year 2023 – 24.

Company	Face value	Dividend (%)	Market Price
Amazon.in	2	120	78
Flipkart	10	33	67
Myntra	10	130	510