

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR****Course: Financial Management
Semester-V (Batch: 2018-23)**End Semester Online Examination: December 2020Date: 27th December, 2020

Duration: 8 hours

Instructions:

Max. Marks: 50

- The respective marks for each question are indicated in-line.
- Indicate correct question numbers in front of the answer.
- No questions or clarification can be sought during the exam period, answer as it is, giving reason, if any.

- Q.1 Discuss specific goals of finance and finance functions of the following companies using relevant sources. Marks (10)
- a. Tata Consultancy Services(TCS)
 - b. Bajaj Electricals(BE)
 - c. ICICI Prudential Life(IPL)

Also, discuss the tasks and challenges faced by the finance team at these companies while managing the financial affairs of stakeholders such as customers, employees, debt investors, equity investors and Government.

- Q.2 Discuss (at least seven) areas of interface between Law and Finance. Also, identify three financial- legal issues and challenges. Discuss how study of Finance and Law would equip you to deal with such challenges. (10)

- Q.3 Mr. Prudent is an employed person with salary income of Rs.30,000 per month. He has two options A and B w.e.f. January 01, 2021. (15)

- a) Staying in a rented house with monthly rent of Rs.6,000 for the 1st year which escalates by 10% every year and investing in Systematic Investment Plan (SIP), an amount of Rs.10,000 per month which gives a compounded annual growth rate of 10% for 15 years. The SIP will not have any tax implications as it is to be held for a longer time period.

Or

- b) Buy a landed house property investing Rs.20,00,000 with a maximum loan from a public sector bank after paying a minimum margin currently applicable on home loans. The most competitive floating interest rate he could get is 7%. He is eligible for all tax benefits and the Government interest subsidy scheme.

You are required to answer the following questions using relevant information and reliable sources.

- i. How much will be the future value of the SIP?
- ii. How much is the present value of the outflows he is likely to make on account of the loan?
- iii. Which option is financially better?
- iv. How will the bank decide his loan eligibility?
- v. If he takes a house of Rs.20,00,000, how much down payment he has to make and how much loan he has to take?
- vi. What is Equated Monthly Installments (EMI)?
- vii. How will EMI be calculated? How much will be his EMI
- viii. How will the Interest rate be decided?
- ix. Interest rate will be fixed or floating?
- x. What is the reset clause on Pure Fixed Rates?
- xi. He should opt for a step up basis of EMI or step down basis?
- xii. What is Reducing Monthly Installment basis?
- xiii. How does tenure affect the cost of the loan?
- xiv. What is index and spread of the floating rate?
- xv. What are the associated Tax benefits
- xvi. Is pre payment possible? If he decides to prepay 2,000 every month from the very first month, what would be its impact on the tenure of the loan and interest burden.
- xvii. Is there any switchover costs?
- xviii. What will be his amortization schedule?
- xix. Will he be eligible for a reverse mortgage loan?
- xx. Do you have any other alternative financial plan in your mind which will maximize his gains?

As a financial advisor help him to take an informed and prudent decision on his housing loan versus SIP investment decision.

Q.4 A detailed case study of Dividend Policy at Hindustan Petroleum Corporation Limited (HPCL)(Source: IBS Center for Management Research) is annexed with the question paper. After a careful analysis of the same, answer the following questions. (15)

- a) Examine the effect of dividend policy on the share price of HPCL.
- b) Identify the factors responsible for the decline of share price of HPCL
- c) Does the capital structure have any influence on the dividend policy of HPCL?
- d) How do you view the applicability of dividend theories you have studied in the given case of dividend policy at HPCL?
- e) What is your assessment of dividend policy, share price and business performance of HPCL vis a vis its competitors?
