B.Com. DEGREE EXAMINATION,APRIL 2020
III Year VI Semester
Financial Management

Time : 3 Hours **Max.marks :75**

Section A $(10 \times 2 = 20)$ Marks

Answer any **TEN** questions

1. List out the objectives of Financial Management.
2. What do you mean by cost of capital?
3. What is property dividend?
4. Define retention ratio and payout ratio
5. List out the components of a capital structure.
6. How do you calculate Net Present Value?
7. A company issued 9%, irredeemable debentures, if the tax rate is 50%, what could be the before tax cost and after tax cost.
8. The total current assets is Rs.50000, Current liabilities is Rs.25000, what could be the working capital?
9. Sen & Co. sells goods for cash as well as on credit. The following particulars are extracted from their books of accounts for the year ended 31st Dec 1975.

Total gross sales(including cash sales Rs.20,000)	1,00,000
Sales return	7,000
Total Debtors as on 31.12.95	9,000
Bills receivable as on 31.12.95	2,000
Provision for doubtful debts as on 31.12.95	1,000
Total creditors as on 31.12.95	10,000

Calculate the average collection period of debtors in days.

10. Find out financial leverage, if the EBIT=Rs.100000, Interest=Rs.60000, EBT=Rs.40000.
11. Initial investment=Rs.100000; Average returns=Rs.15000, calculate pay back period.
12. Ascertain whether the company has surplus or deficit cash balance from the data given below:

	Normal period	Peak period
Desired days of cash	6	3
Average daily outflow	Rs.30,000	Rs.50,000
Actual cash balance in hand	Rs.1,50,000	Rs.2,00,000

Section B $(5 \times 5 = 25)$ Marks

Answer any **FIVE** questions

13. What are the various types of dividends paid by a company¿
14. Discuss the assumptions of Capital structure theories.
15. Explain the factors influencing the level of working capital requirement.
16. A firm issues 10% Debentures of Rs.100000 and realises Rs.98000 after allowing a commission of 2% to the brokers. The debentures are due for maturity at the end of 10th year. Calculate effective cost of debt.
17. Calculate EOQ from the following. Estimated annual production=90000 units. Order cost=Rs.50 per order; Carrying cost per unit per annum=Rs.1.
18. Find out Operating Leverage, Financial leverage and combined leverage of a firm reporting Contribution of Rs.500000; Fixed cost= Rs.100000; Interest=Rs.100000;
19. A firm is planning to invest Rs.500000. The average returns of Avenue-I is Rs.32000 per year and Avenue-II is Rs.42000 with a additional working capital requirement of Rs.5000. which is more profitable to a company.

Section C $(2 \times 15 = 30)$ Marks

Answer any **TWO** questions

20. Explain the functions of a financial manager in detail.
21. Compute the amount of working capital required as per the components of working capital method.

    Period covered=365 days
    Average credit period allowed by suppliers=16 days
    Debtors outstanding=Rs.480000
    Raw materials consumption=Rs.4400000
    Total production cost=Rs.10000000
    Total cost of sales=Rs.10500000
    Sales=Rs.16000000
    Average stock of raw material=Rs.320000
    Average work in progress=Rs.350000
    Average finished goods=Rs.260000
    Debtors outstanding=Rs.480000
    Raw materials consumption=Rs.4400000
    Total production cost=Rs.10000000
    Total cost of sales=Rs.10500000
    Sales=Rs.16000000

Average stock of raw material=Rs.320000
Average work in progress=Rs.350000
Average finished goods=Rs.260000

22. Lokesh limited is proposed to buy a new machine and two alternatives are available in the market. The initial outlay of each is Rs.4 lakhs. The cash inflows expected is as follows:

Year	Machine-A	Machine-B
1	Rs.40000	Rs.120000
2	Rs.120000	Rs.160000
3	Rs.160000	Rs.200000
4	Rs.240000	Rs.120000
5	Rs.160000	Rs.80000

In addition, each of the Machines requires Rs.20000 as working capital at the end of the first year. The target rate of return on capital is 10%. Suggest which machine is profitable to the company as per NPV method.

23. Two firms A and B are identical in all respects except the degree of leverage. Firm A has 6% debt of Rs.3 lakhs, while the firm B has no debt. EBT of the both the firms is Rs.120000 and Ke=10%. The corporate tax is 60%. Compute the market value of two firms.