B.Com.(Hons) DEGREE EXAMINATION,ODD SEMESTER 2020
III Year V Semester
Financial Management

Max.marks :25

Answer any **FIVE** questions $(5 \times 5 = 25)$ Marks

1. Discuss the present value techniques.
2. Determine the average rate of return from the following data of a machine.

	Machine Rs.
Cost	56,125
Annual estimated incomes after depreciation and income tax:	
I year	3,375
II year	5,375
IIIyear	7,375
IV year	9,375
V year	11,375
Estimated life in years	5
Estimated salvage value (Rs.)	3,000
Average income tax rate	55%
Additional working capital (Rs.)	5,000

3. Babu Ltd. has issued 40,000 shares of Rs.10 each fully paid. The company has earned a profit of Rs.40,000 after tax. The market price of these shares is Rs. 16 per share. The company has paid a dividend of Re. 0.80 per share. Calculate the cost of equity on the basis of

   (i) Dividend price method, and

   ii) Earnings price method.

4. Calculate financial leverage for the following firm:

Output (Units)	60,000
Fixed cost (Rs.)	7,000
Variable cost per unit (Rs.)	0.20
Interest on borrowed capital (Rs)	4,000
Selling price per unit (Rs.)	0.60

5. Kavin Ltd has 50,000 equity shares of 10 each outstanding on January 1. The shares are currently quoted at Rs. 20 in the market. The company intends to pay a dividend of Rs. 2 per share for the current year. Its capitalisation rate is 15%. Using MM model and assuming no taxes, ascertain the price of the company share.

i) When dividends is not declared

ii) When dividend is declared

6. Cost sheet of a company provides the following particulars:

Elements of cost

Raw materials	:	40%
Labour	:	10%
Overheads	:	30%

The following particulars are also available:

Raw materials remain in stock for 6 weeks

Processing time: 4 weeks

Finished goods are in stock for 5 weeks

Period of credit allowed to debtors: 10 weeks

Lag in payment of wages: 2 weeks

Period of credit allowed by creditors: 4 weeks

Selling price: Rs.50 per unit

Production in units: 13000 p.a.

Prepare an estimate of working capital

7. The following data has been extracted from the books of a company for the last two years:

	2008	2009
Net sales	4,00,000	7,50,000
receivables	1,00,000	1,50,000

i) Calculate receivables turnover for the given two years.

ii) ascertain average size of investment in receivables for an improved receivable turnover of 6 times on budgeted sales volume of Rs. 9,60,000 for the year 2010.