

SHRIMATHI DEVKUNVAR NANALAL BHATT VAISHNAV COLLEGE FOR WOMEN
(AUTONOMOUS)

(Affiliated to the University of Madras and Re-accredited with 'A+' Grade by NAAC)
Chromepet, Chennai — 600 044.

B.Com. END SEMESTER EXAMINATIONS APRIL-2022

SEMESTER - VI

13UCOCE6002 & UCO/CE/6002 - Financial Management

Total Duration : 3 Hrs.

Total Marks : 60

Section A

Answer any **SIX** questions ($6 \times 5 = 30$ Marks)

1. Describe the objectives of financial management.
2. Explain briefly the concept of working capital.
3. Write a short note on Stable dividend policy and Cash dividend.
4. Calculate operating leverage and financial leverage.

| | Rs. | | Rs. |
|----------|--------|---------------|--------|
| Sales | 50,000 | variable cost | 25,000 |
| Interest | 5,000 | fixed cost | 15,000 |

5. ABC Limited is considering a new five – year project. Its investment costs and annual profits after tax & depreciation are projected as follows:

| | Year | Rs. |
|------------|------|-------------|
| Investment | 0 | (20,00,000) |
| Profits | 1 | 1,00,000 |
| | 2 | 1,50,000 |
| | 3 | 2,50,000 |
| | 4 | 2,60,000 |
| | 5 | 1,60,000 |

The residual value at the end of the project is expected to be Rs.1,60,000. Using average profits and average capital employed calculate the ARR for the project .

6. Write a short note on (a) Cash management, (b) Inventory management.
7. Describe the importance of capital structure.
8. Discuss the kinds of capital budgeting decision.

Section B

Answer any **THREE** questions ($3 \times 10 = 30$ Marks)

9. Discuss the function of finance manager.

Contd...

10. A pro - forma cost sheet of a company provides the following particular:

Element of cost:

| | |
|---------------|-----|
| Material | 40% |
| Direct labour | 20% |
| Overheads | 20% |

The following further particular are available:

- (a) It is proposed to maintain a level of activity of 2,00,000 Units.
- (b) Selling price is Rs.12 per unit.
- (c) Raw material are expected to remain in stores for an average period of one month.
- (d) Materials will be in process, on an average for half a month.
- (e) Finished goods are required to be in stock for an average period of one month.
- (f) Credit allowed to debtors is two months.
- (g) Credit allowed by suppliers is one month.

You may assume that sales and production follow a consistent pattern. You are required to prepare a statement of working capital requirement, a forecast profit and loss account and balance sheet of the company assuming that:

| | |
|---------------|-----------|
| | (Rs.) |
| Share capital | 15,00,000 |
| 8% Debentures | 2,00,000 |
| Fixed Asset | 13,00,000 |

11. A company has to make a choice between two projects namely A and B. The initial capital outlay of two Projects are Rs.2,00,000 and Rs.2,80,000 respectively for A and B. There will be no scrap value at the end of the life of both the projects. The opportunity Cost of Capital of the company is 10%. The annual incomes are as under:

| Year | Project A (Rs.) | Project B (Rs.) | Discounting factor @10% |
|------|--------------------|--------------------|----------------------------|
| 1 | 55,000 | 56,000 | 0.909 |
| 2 | 70,000 | 90,000 | 0.826 |
| 3 | 85,000 | 90,000 | 0.751 |
| 4 | 75,000 | 90,000 | 0.683 |
| 5 | - | 90,000 | 0.621 |

You are required to calculate for each project:

- (i) Discounted payback period
- (ii) Net present value

Contd...

12. Explain the factors that influence the dividend policy of a firm.
13. What are the long term finance sources available to Indian businessmen for raising funds? Explain.
