**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.(A&F) END SEMESTER EXAMINATION APRIL/NOV - 2021**
**SEMESTER - V**
11UAFCT5016 **&** UAF/CT/5016 - **Financial Management**

| **Total Duration : 3 Hrs** | **Total Marks : 75** |
|---|---|
| MCQ : 30 Mins | MCQ : 15 |
| Descriptive : 2 Hrs.30 Mins | Descriptive : 60 |

Section B

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

1. Explain the objectives of Financial Management.
2. Calculate the pay-back period for a project which requires a cash outlay of Rs.1,00,000 and generates cash inflows of Rs.25,000 Rs.35,000, Rs.30,000, and Rs.25,000 in the first, second, third and fourth years respectively.
3. What are the different types of cost of capital?
4. Akash Ltd., offers for public subscription Equity shares of Rs.10 each at a premium of 10%. The company pays an underwriting commission of 5% on the issue price. The Equity shareholder expect dividend of 15%.
   (a) Calculate the cost of equity capital.
   (b) Calculate the cost of Equity capital, if the market price of the share is Rs.20.
5. Calculate Financial leverage from the following data:

| | |
|---|---|
| Profit before depreciation, interest and tax | Rs.80,00,000 |
| Depression | Rs.12,50 000 |
| EPS | 40% |
| No. of Equity shares | 3,15,000 |

6. The following information relates to Hani Ltd.

| | |
|---|---|
| Earnings per share | Rs.15 |
| Productivity of retained earnings (r) | 15% |
| Capitalisation rate (k) | 15% |

   What is the market price per share according to be Walter model if the payout is (a) 20% (b) 40% (c) 60%. Give your comments.

7. Briefly explain the Advantages of working capital.
8. State the merits and demerits of payback period.

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Section C

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

9. Discuss the function and approaches of Financial Management.

10. A choice to be made between two projects which requires an equal investment of Rs.50,000 and are expected to generate net cash flows as under:

| **Year** | **Project - I (Rs.)** | **Project - II (Rs.)** |
|---|---|---|
| $1^{st}$ year | 25,000 | 10,000 |
| $2^{nd}$ year | 15,000 | 12,000 |
| $3^{rd}$ year | 10,000 | 18,000 |
| $4^{th}$ year | Nil | 25,000 |
| $5^{th}$ year | 12,000 | 8,000 |
| $6^{th}$ year | 6,000 | 4,000 |

The cost of the capital is 10%. Present value is year:

| | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| P. V. Factor @ 10% | 0.909 | 0.826 | 0.751 | 0.683 | 0.621 | 0.564 |

Evaluate project prepared under:
(a) Payback period
(b) Discount Cash Flow Method.

11. From the following information relate to Three companies:

| **A. Ltd.,** | **B. Ltd.,** | **C. Ltd.,** |
|---|---|---|
| ( Growth firm ) | ( Normal firm ) | ( Declining firm) |
| r = 15% | r = 10% | r = 5% |
| Ke = 10% | Ke = 10% | Ke = 10% |
| E = Rs. 8 | E = Rs. 8 | E = Rs. 8 |

Using Walter model, calculate the value of equity share of each of these companies if the dividend pay out is:
( a ) 25% ( b ) 50% ( c ) 75%

12. From the following information, prepare a Balance sheet:
( a ) Working capital - Rs.1,50,000
( b ) Reserve and Surplus - Rs.2,00,000
( c ) Bank overdraft - Rs.1,20,000
( d ) Current ratio - 1.75.
( e ) Liquid ratio - 1.75.
( f ) Fixed assets to proprietors funds - 0.75.
( g ) Long term Liabilities - Nil

Contd...

13. Calculate the operating leverage, financial leverage and the combined leverage for the following firms and interpret the results.

| **Particulars** | **P (Rs.)** | **Q (Rs.)** | **R (Rs.)** |
|---|---|---|---|
| Output (Units) | 3,00,000 | 75,000 | 5,00,000 |
| Fixed cost (Rs.) | 3,50,000 | 7,00,000 | 75,000 |
| Unit variable cost (Rs.) | 1.00 | 7.50 | 0.10 |
| Interest expense (Rs.) | 25,000 | 40,000 | NIL |
| Unit selling price (Rs.) | 3.00 | 25.00 | 0.50 |