

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.(Honours) END SEMESTER EXAMINATION APRIL/NOV - 2021
SEMESTER - V
14UBHCT5A22 & UBH/CT/5A24 - 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. What is meant by profit maximization?
2. What are the methods of time value of money?
3. Briefly write various essentials of capital budgeting.
4. What are the factors affecting cost of capital?
5. What is meant by optimum capital structure?
6. Discuss about the operating leverage and business risk.
7. What are the general rules for recording dividend?
8. Discuss the various characteristics of permanent working capital.

Section C

Part A

Answer any **TWO** questions ($2 \times 10 = 20$ Marks)

9. Explain the various functions of financial manager.
10. **Capital budgeting case study analysis**

ACME Inc. is a multinational conglomerate corporation providing a wide range of goods and service to its customers. As part of its budgeting process for the next year, it has several projects under consideration so it must decide which projects should receive capital budgeting investment funds for this year.

As part of the financial analysis department, you have been given several projects to evaluate. However before you can determine the appropriate valuations of these projects, you need to determine the weighted average cost of capital for the firm since it is used as a threshold of acceptability for projects.

Remember that management has a preference in using the market values of the firm's capital structure and believes its current structure (target weight/market weight) is optimal.

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Market Values of Capital

1. The company has 60,000 bonds with a 30-year life outstanding, with 15 years until maturity. The bonds carry a 10percent semi-annual coupon, and are currently selling for 5874.78.
2. You also have 100,000 shares of \$100 par,9% dividend perpetual preferred stock outstanding. The current market price is\$90.00.
3. The company has 5 million shares of common stock outstanding with a currently price of \$17.00 per share. The stock exhibits a constant growth rate of 10 percent.The last dividend (D_0) was \$.65.
4. The risk-free rate is currently 6 percent, and the rate of return on the stock market as a whole is 13 percent. Your stock's beta is 1.22.
5. Your firm only uses bonds for the long-term financing.
6. Your firm's federal + stage marginal tax rate is 40%. (Ignore any carry forward implications)

Depreciation Schedule

Modified Accelerated Cost Recovery System (MACRS)

5-Year Investment Class
Ownership Year Depreciation Schedule

- | | |
|---|-----|
| 1 | 20% |
| 2 | 32% |
| 3 | 19% |
| 4 | 12% |
| 5 | 11% |
| 6 | 6% |

Total = 100%

11. What are the various types of leverages?
12. Discuss in detail about the factors considered for working capital requirements.

Part B

Compulsory question (1 × 10 = 10 Marks)

13. Prepare an estimate of working capital requirements from the following information of a trading concern.
 1. Projected annual sales 1,00,000 units
 2. Selling price Rs. 8 per unit
 3. Percentage of net profit on sales 25%
 4. Average credit period allowed to customers 8 weeks
 5. Average credit period allowed by suppliers 4 weeks
 6. Average stock holding in terms of sales requirement 12 weeks
 7. Allow 10% for contingencies.