

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.(PA) END SEMESTER EXAMINATION APRIL/NOV - 2021

SEMESTER - V

19UPACT5013- 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 Scope of Financial Management.
2. The market price of a share is Rs. 140 and a company plans to pay a dividend of Rs. 9 per share. The growth in dividends is estimated at the rate of 10%. Find out the cost of Equity capital.
3. Explain the different sources of short term finance.
4. Project X has an initial investment of Rs.10,00,000. It's cash flow for 5 years Rs.3,00,000, Rs.3,60,000, Rs.3,00,000, Rs.2,64,000, and Rs.2,40,000. Determine the payback period.
5. From the following information, Calculate average collection period:

Particular	Rs.
Total sales	2,00,000
Cash sales	40,000
Sales returns	14,000
Debtors at the end of year	22,000
Bill's receivable	8,000
Creditors	30,000

6. From the following information Calculate the average amount of working Capital required.

Particular	per annum (Rs)
Stock of finished goods and work in progress	20,000
Stock of stores and materials	16,000
Average credit to local customer- 2 weeks	2,08,000
Average credit to outside customer - 6 weeks	6,24 000
Credit available for payment of purchase- 4 weeks	1,56,000
Credit available for payment of wages - 2 weeks	5,20,000

Add 10% of contingency.

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7. Explain the different forms of dividend.
8. A firm issues Debentures of Rs. 2,00,000 and realises Rs. 1,96,000 after allowing 2% commission to brokers. The Debentures carry an interest of 10%. The Debentures are due for maturity at the end of the 10th year. Tax rates is 55%. Calculate the cost of debt after and before tax.

Section C

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

9. State the sources of long term financing.
10. From the given information Calculate the working capital requirements:

Particular	Rs.
Annual sales	3,60,000
Cost of production including depreciation of Rs.60,000	3,00,000
Raw materials purchased	1,76,250
Overheads per month	7,500
Opening stock	35,000
Closing stock	31,250

Inventory

Raw materials - 2 months

Work in progress - 1/2 month

Finished goods - 1 month

Credit allowed to customer - 1 month

Credit allowed by suppliers - 15 days

Cash balances debited to be maintained 10,000

The company received an advance of Rs. 15,000 on sales order.

11. A company belongs to a risk class of which the appropriate Capitalization rate of 12%. It has currently 2,00,000 shares at Rs. 100 each. The firm contemplating the declaration of Rs. 6 as dividend at the end of the current fiscal year. Calculate:
 - (a) Assuming the company pays the dividend has a net income of Rs. 20,00,000 and makes a net investment of Rs. 40,00,000 during the period. How many new shares must be Issued?
 - (b) According to M. M. approach what will be the price of the shares if
 - (i) dividend is declared.
 - (ii) dividend is not declared.

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SEMESTER - V
19UPACT5013- Financial Management

12. X Ltd., expects an annual EBIT of Rs. 2,00,000. The company has Rs. 8,00,000 in 10% Debentures. The Capitalization rate is 12%. The company proposes to issue additional Equity shares of Rs. 2,00,000. And use the proceeds for redemption of Debentures of Rs. 2,00,000. Calculate The value of (1) The value of the firm (V) and the overall cost of capital (K_o).
13. Assuming no taxes and given the Earnings before Interest and Taxes (EBIT) Interest (I) at 10% and Equity capitalization rate (K_e) below, calculate the Total market value of each firm.

Company	EBIT Rs.	I Rs.	K_e
A	4,00,000	40,000	10%
B	6,00,000	1,20,000	12%
C	10,00,000	4,00,000	16%
D	12,00,000	4,80,000	15%

Also determine the weighted average cost of capital for each company.