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.(ISM) END SEMESTER EXAMINATIONS APRIL-2022
SEMESTER - IV
20UBICT4008 - Financial Management

Total Duration : 3 Hrs. **Total Marks : 60**

Section A

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

1. What do you understand by the term financial Management?
2. Explain the factors determining cost of capital.
3. State the objectives of dividend policy.
4. What are the factors determining capital structure?
5. What is pay-back method? State its advantages and limitations.
6. A Ltd expects the net operating income of Rs.4,50,000.It has Rs.12,00,000, 10% Debentures.The over all capitalization rate is 15%.Calculate the value of the firm and cost of equity according to the net operating income(NOI) approach.
7. Project Y has an initial investment of Rs.5,00,000. Its cash flows for 5 years are Rs.1,50,000, Rs.1,80,000, Rs.1,32,000 and Rs.1,20,000. Determine the payback period.
8. From the following estimates,calculate the average amount of working capital require.

   Average amount locked up in stock:

   Stock of finished goods and work-in-progress Rs.10,000 p.a.
   Stock of stores,materials etc. Rs.8,000 p.a.

   Average credit given:

   Local sales 2 weeks credit Rs.1,04,000 p.a.
   Outside state 6 weeks credit Rs.3,12,000 p.a.

   Time available for payments:

   For purchases 4 weeks Rs.78,000 p.a.
   For wages 2 weeks Rs.2,60,000 p.a.

   Add 10% to allow for contingencies.

Section B

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

9. Enumerate the different methods of calculating the cost of equity capital.

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10. Briefly explain the various theories of dividend policy.

11. Write short notes on:
    (a) Net present value method
    (b) Profitability index.
    (c) Internal rate of return.
    (d) Discounted pay-back period method.
    (e) Average rate of return.
    (f) Reciprocal pay-back period method.

12. Compute the market value of the firm,market value of equity and the average cost of capital.
    Net Operating Income Rs.3,00.000.Total Investment Rs.15,00,000.
    Equity capitalization rate :
    (a) If the firm uses no debt= 10%
    (b) If the firm uses a debt of Rs.6,00,000 = 11%
    (c) If the firm uses a debt of Rs.9,00,000 = 12%.
    The debt of Rs.6,00,000 canbe raised at 5% rate of interest while debt of Rs.9,00,000 can be raised at7%.

13. The management of Fast Ltd. Desires to know the working capital required with effect from 1^{st} January 2009 to finance the production programme. Percentage of various elements of cost to selling price are:
    Material 50% :Labour 20% : Overhead 10%
    You are informed that.
    (a) Raw materials remain in the stores on an average for one month before issued to production.
    (b) Finished goods remain in the godown for two months before sales.
    (c) Each unit of production will be in process for one month.
    (d) Credit allowed by creditors is one month and allowed to debtors is two months.
    (e) Selling price is Rs. 9 per unit.

    Production in 2009 is expected to be 1,02,000 units. Advise the management.

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