

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-2023

SEMESTER - VI

**UCO/CE/6002 - Financial Management**

Total Duration : 3 Hrs

Total Marks : 75

### **Section A**

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

1. Identify the relationship between "Risk" and "Return."
2. Enumerate any two objectives of financial management.
3. Define the term working capital.
4. What is operating cycle?
5. State the meaning of Dividend.
6. What is meant by capital structure?
7. Write a short note on indifferent point.
8. What is capital budgeting?
9. Give the meaning of profitability index.
10. A project costs Rs.2,50,000 and yields an annual cash inflow of Rs.50,000 for 7 years. Calculate its pay-back period.
11. The following information relates to Siddle Ltd:

EPS	Rs.10
IRR	18%
Cost of capital	20%
Payout ratio	40%

Compute the market price under the Walter's model.
12. Compute ARR from the following data:

Cost of asset	: Rs.4,00,000
Useful life	: 5 years
Cash flow after tax	: Rs.1,72,000 p.a.

**Contd...**

## Section B

Answer any **FIVE** questions ( $5 \times 5 = 25$  Marks)

13. An investment of Rs.10,000 (having scrap value of Rs.500) yields the following returns:

Year	1	2	3	4	5
CFAT	4,000	4,000	3,000	3,000	2,500

The cost of capital is 10%. Is the investment desirable? Discuss it according to NPV method assuming the P.V. factors for 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, and 5<sup>th</sup> year. 0.909, 0.826, 0.751, 0.683 and 0.620 respectively.

14. From the following information relating to perara Ltd., Calculate (a) Operating cycle, (b) No. of operating cycles in a year assuming a 360 day year, and (c) Average working capital required, if annual cash operating expenses are Rs.150 lakh.
- Stock holding: Raw materials : 2 months  
W.I.P : 15 days  
Finished goods : 1 month  
Average debt collection period : 2 months  
Average payment period : 45 days
15. "Profit maximisation is the basic goal of a finance manager." Do you agree? Discuss.
16. Explain the various factors that affect the working capital requirements of a company.
17. State the advantages of issuing bonus shares.
18. Describe the traditional approach to capital structure.
19. Differentiate between NPA Method and IRR Method used in capital budgeting.

## Section C

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

20. What do you mean by optimum capital structure? Discuss different theories of capital structure.
21. Explain briefly main determinants of dividend policy of a firm.
22. Elaborate the methods of forecasting the working capital requirements of a firm.
23. Discuss the objectives of financial management. What role should the financial manager play in modern enterprise? Discuss.

24. A company is considering to purchase a machine. Two machines are available X and Y costing Rs.50,000 each. Earning after taxation are expected to be as follows:

Year	Estimated Cash flows	Estimated Cash flows
	"X" Machine	"Y" Machine
1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

Evaluate two alternatives according to:

- The pay-back method.
- Return on investment method.
- Net present value method (cost of capital 10%). Assume straight line method of depreciation. The discount factor is as under:

Year	1	2	3	4	5
DF	0.909	0.826	0.751	0.683	0.621

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