

**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 EXAMINATIONS NOVEMBER-2022**

**SEMESTER - V**

**19UPACT5013 - Financial Management**

**Total Duration : 2 Hrs 30 Mins.**

**Total Marks : 60**

**Section A**

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

1. Define financial management and explain its objectives.
2. A company issues 12% redeemable preference shares of Rs.100 each at 5% premium redeemable after 15 years at 10% premium. If the floatation cost of each share is Rs.2, what is the value of  $K_P$  (Cost of preference share) to the company?
3. Mr.Dalai is planning to purchase the shares of X Ltd. His required rate of return is 20%. Dividends are growing at a rate of 10%. What dividend had X Ltd., paid last year if he is willing to pay Rs.27.50 for X Ltd's shares?
4. Classify the working capital requirements of a firm.
5. Company A and B are homogeneous in all respects except that Company A is levered while Company B is unlevered. Company A has Rs.5,00,000 assumptions are met and the tax rate is 50%. EBIT is Rs.50,000 and that equity-capitalisation rate for Company B is 12%. What would be the value for each firm according to M-M's approach?
6. A company has issued 10,000 equity shares at Rs.100 each. The company has been paying dividend to equity shareholders at 25% p.a. for the last three years and expected to maintain the same. The market value of the share is Rs.180. Compute cost of equity.
7. The current price of a company's share is Rs.75 and dividend per share is Rs.5. Calculate the dividend growth rate if the capitalization rate is 12%.
8. Prepare an estimate of working capital requirement from the following information of a trading concern. Projected annual sales 10,000 units Selling price Rs.10 per unit  
Percentage of net profit on sales 20%  
Average credit period allowed to customers 8 Weeks  
Average credit period allowed by suppliers 4 Weeks  
Average stock holding in terms of sales requirements 12 Weeks  
Allow 10% for contingencies

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## Section B

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

9. Describe the role of a financial manager in financial management.
10. An organization expects a net income of Rs.1,00,000. It has Rs.1,50,000, 10% debentures. The equity capitalization rate of the company is 12%. Calculate the value of the firm and overall capitalization rate according to the Net Income Approach (ignoring income-tax). If the debenture debt increased to Rs.2,00,000, what shall be the value of the firm and the overall capitalization rate ?
11. The capital structure of a company consists of 40% equity. The after tax cost of equity, preference and debt are 20%,15% and 7.20% respectively. Calculate the proportion of the preference shares and debt in the capital structure of the company if the weighted average cost of capital is 15.44%.
12. For the following details of 3 companies A Ltd., B Ltd., and C Ltd., calculate the value of an equity share of each of these companies using Walter's model when the dividend payout ratio is  
a) 50%      b) 75%      c) 25%

	A Ltd.	B Ltd.	C Ltd.
r(%)	15	5	10
Ke(%)	10	10	10
E (Rs.)	8	8	8

What conclusions can you draw?

13. The board of directors of Aravind mills limited request you to prepare a statement showing the working capital requirements for a level of activity of 30,000 units of output for the year. The cost structure for the company's product for the above mentioned activity level is given below.

	Cost per Unit (Rs.)
Raw materials	20
Direct labour	5
Overheads	15
<b>Total</b>	<b>40</b>
Profit	10
Selling price	50

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**SEMESTER - V**  
**19UPACT5013 - Financial Management**

- (a) Past experience indicates that raw materials are held in stock, on an average for 2 months.
  - (b) Work in progress (100% complete in regard to materials and 50% for labour and overheads) will be half a month's production.
  - (c) Finished goods are in stock on an average for 1 month.
  - (d) Credit allowed to suppliers: 1 month.
  - (e) Credit allowed to debtors: 2 months.
  - (f) A minimum cash balance of Rs.25,000 is expected to be maintained.
- Prepare a statement of working capital requirements.

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