

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.(A&F) - END SEMESTER EXAMINATIONS APRIL-2023

SEMESTER - V

20UAFCT5016 - Financial Management

Total Duration : 2 Hrs. 30 Mins.

Total Marks : 60

Section B

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

1. Explain the role of financial managers in financial management.
2. Murugan Ltd. Issues 10% irredeemable preference shares of the face value Rs.100 each. Flotation costs are estimated at 5% of the expected sale price.
 1. What is the *kp*, if preference shares are issued at
 - (i) Par Value
 - (ii) 10% Premium
 - (iii) 5% Discount
 2. Also, compute *kp* in these situation assuming 14% dividend tax.
3. The cost of capital and the rate of return on investment of Mukesh Ltd. are 12% and 20% respectively. The company has 2 lakh equity shares of Rs.10 each outstanding and earning per share are Rs.25. Compute the market price per share and value of firm in the following situations. Use Walter Model and comment on the results.
Retention - (i) 80% (ii) 60% (iii) 20% (iv) No Retention
4. Explain the components of working capital.
5. Elaborate the factors affecting capital structures.
6. From the following capital structure of a company, Calculate cost of capital, using (a) Book value of weights (b) Market value weights.

Source of capital	Book Value (Rs.)	Market Value (Rs.)
Equity Shares	2,00,000	3,00,000
16% Debentures	60,000	61,200
10% Short term loans	40,000	40,000

Equity share capital is 20%, Tax rate for such company is 50%.

Contd..

7. The following data relates to XYZ Ltd. Earning Per Share – Rs.15 ; Capitalisation rate – 15% ; Rate of Return – 20% ; Determine market price per share under Gordon's Model if Retention
(i) 20% (ii) 40% (iii) 60%
8. The following data relates to Aravind.Ltd, Which is engaged in retailing estimate its working capital requirements
Sales estimated (Annual) Rs. 18,00,000
Percentage of Net Profit to cost of sales – 25%
Average Credit allowed to debtors – 20 days
Average Credit allowed by creditors – 40 days.
Average stock earned (Based on sales) 1½ months
Add 5% to allow for contingencies.

Section C

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

9. Explain the various sources of Short Term finance? State the merits and demerits of each source.
10. The following projections have been given in respect of Company X

Volume of Output & Sales	80,000 units
Variable cost per unit	Rs.4
Fixed Cost	Rs.2,40,000
Interest burden on debt	Rs.1,20,000
Selling price per unit	Rs.10

On the basis of above information, calculate

- (a) Operating leverage (b) Financial Leverage (c) Combined Leverage
(d) Operating BEP (e) Financial BEP (f) Combined BEP
11. A company was recently formed to manufacture a new product. It has the following capital structure:

Particulars	Rs.
9% debentures	10,00,000
7% Preference shares	4,00,000
Equity Shares (48,000 shares)	16,00,000
Retained earnings	10,00,000
	40,00,000

The market price of equity share is Rs.80. A dividend of Rs.8 per share is proposed. The company after tax Weighted Average Cost of Capital of the company.

12. The following information relates to Somdev Ltd.

Earnings of the company	Rs.10,00,000
Dividend paid	Rs.6,00,000
No.of Shares outstanding	Rs.1,00,000
Price Earning Ratio	10
Rate of return on investment	15%

Are you satisfied with the current dividend policy of the firm? If not, what should be the optimal dividend pay-out ratio? Use Walter's Model.

13. Compute the working capital requirements Raj Ltd. from the information given below :

Annual sales	14,40,000
Cost of production (including depreciation Rs.95,000)	12,00,000
Raw materials purchases	7,02,000
Overheads per month	32,500
Anticipated opening stock of raw materials	1,43,000
Anticipated closing stock of raw materials	1,30,000
Inventory norms :	
Raw materials	8 weeks
Work in progress	2 weeks
Finished goods	4 weeks
Credit allowed to debtors	4 weeks
Credit allowed by creditors	2 weeks
Cash balance desired to be maintained	Rs.25,000

The company received an advance of Rs.40,000 on sales orders
