

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.

M.Com.(A&F) - END SEMESTER EXAMINATIONS NOVEMBER - 2023

SEMESTER - II

20PAFCT2005 - 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 functions of financial management.
2. Mr.Kamal has rented out a shop for 4 years at an annual rent of Rs.12,000. The tenant has agreed to the condition that the rent will increase by 10% every year. If the required rate of return is 8%, find out the present value of the expected series of rents.
3. X Ltd., is expecting an annual EBIT of Rs.1 lakh. The company has Rs.4 lakhs in 10 % debentures. The cost of equity capital or capitalisation rate is 12.5%. You are required to calculate the total value of the firm. Also state the overall cost of capital.
4. Sakthi Ltd., issued 20,000 8% debentures of Rs.100 each on 01.04.2009. The cost of issue was Rs.50,000. The company's tax rate is 35%. Determine the cost of debentures (before as well as after) if they were issued at par; at a premium of 10%; at a discount of 10%.
5. M Ltd., issued 60,000 15% irredeemable preference shares of Rs.100 each. The issue expenses were Rs.60,000. Determine the cost of preference capital if the shares are issued at par; at a premium of 10%; at a discount of 10%.
6. Classify the various types of risk.
7. The following data relates to Bailey Ltd.
Rate of return:12%; Earnings per share Rs.60. Find out the market price per share in the following case, using Gordon's model:

Dividend payout	Retention	Cost of Capital
25	75	20%
50	20	15%
80	20	10%

8. Describe briefly about the risk and uncertainty in investment decisions.

Contd...

Section C

I - Answer any **TWO** questions ($2 \times 10 = 20$ Marks)

9. Elaborate the environment of corporate finance.
10. Explain the various approaches for measurement of returns.
11. A company was recently formed to manufacture a new product. It has the following capital structure:

9% Debentures	10,00,000
7% Preference share	4,00,000
Equity shares (48,000 shares)	16,00,000
Retained earning	10,00,000
	40,00,000

The market price of equity share is Rs.80. The dividend of Rs.8 per share is proposed. The company has marginal tax rate of 50% and shareholder's individual tax rate is 25%. Compute after tax weighted average cost of capital of the company.

12. Classify the methods of investment appraisal.

II - Compulsory question ($1 \times 10 = 10$ Marks)

13. Details regarding the three companies are given below:

Nel Ltd.	Mel Ltd.	Gel Ltd.
$r = 18\%$	$r = 20\%$	$r = 8\%$
$k = 15\%$	$k = 20\%$	$k = 10\%$
$E = \text{Rs.}30$	$E = \text{Rs.}40$	$E = \text{Rs.}20$

By using Walter's model, you are required to

- a) Calculate the value of an equity share of each of these companies when dividend payout is 30%; 60%; 100%
- b) Comment on the results drawn.

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