

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.(CS) - END SEMESTER EXAMINATIONS NOVEMBER - 2023

SEMESTER - IV

21PMCET4003 - Corporate Financial Management

Total Duration : 2 Hrs. 30 Mins.

Total Marks : 60

Section B

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

1. Define Financial Management. What are the objectives of financial management?
2. What are the advantages of financial forecasting?
3. The authorised capital of the limited company is 2,00,000 divided in to 20,000 equity shares of Rs.10 each. Out of these, 15,000 shares have been issued to the public, payable Rs.2 on application, Rs.4 on allotment ,Rs.2 on first call and Rs.2 on second and final call. Pass necessary journal entries. All amounts have been duly received.
4. Mr.X, a Shareholder, holding 100 shares of Rs.10 each has paid application money of Rs.2 per share and allotment money of Rs.3 per share, but has failed to pay the first call of Rs.2 per share and Second call of Rs.3 per share. His shares were forfeited make the journal entry to record the forfeited of shares.
5. Illustrate the significance of capital structure.
6. Company 'A' issues 10% irredeemable debentures of Rs.1,00,000. The company is in the 55% tax bracket. Calculate the cost of debt (before as well as after tax) if the debentures are issued at
 - (a) par
 - (b) 10% discount and
 - (c) 10% premium.
7. Monthly cash requirements Rs.60,000. Fixed cost per transaction Rs.10. Interest rate on marketable securities 6% p.a. You are required to calculate optimum cash balance.
8. Mr.A refrigerator manufacture, purchases 1,600 units of a certain components from Mr.B. His annual usage is 1,600 units. The order placing cost is Rs.100 and the cost of carrying one unit for a year is Rs.8. Calculate the Economic Ordering Quantity.

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Section C

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

9. Explain the functions of financial executive in an organization.
10. Explain the types of working capital.
11. Two firms A and B are identical in all respects except that the firm A has 10% Rs.50,000 debentures. Both the firms have the same earnings before interest and tax amounting to Rs.10,000. The equity capitalisation rate of firm A is 16% while that of firm B is 12.5%. You are required to calculate the total market value of each of the firm.
12. A Firm issues debentures of Rs.1,00,000 and realises Rs.98,000 after allowing 2% commission to brokers. The debentures carry an interest rate of 10%. The debentures are due for maturity at the end of the 10th year. You are required to calculate the effective cost of debt before tax.

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

13. Skyline Software Ltd., has appointed you as its finance manager. The company wants to implement a project for which Rs.30 lakhs is required to be raised from the market as a means of financing the project. The following financing plans and options are at hand:

	Plan A	Plan B	Plan C
Option 1:			
Equity Shares	30	30	30
Option 2:			
Equity Shares	15	20	10
12% Preference Shares	Nil	10	10
10% Non- Convertible Debentures	15	Nil	10

Assuming corporate tax to be 55% and the face value of all the shares and debentures to be Rs.100 each. Calculate the Earning per share (EPS) for each of the financing plans. Which plan should be accepted by the company?
