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.(CA) END SEMESTER EXAMINATIONS NOVEMBER -2023
SEMESTER - V
21UCCCT5014 - 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 Objectives of Financial Management.
2. The Earnings per share of Nadal Ltd., are Rs.15 and the rate of capitalization applicable to the company is 12%. The productivity of earnings (r) is 12%. Compute the market value of the company's share if the payout is (i) 20% (ii)50% (iii) 70% Which is the optimum payout?
3. From the following information relating to B Ltd., Calculate (a) Operating cycle (b) No. Of operating cycle in a year assuming a 360 day year and (c) Average working capital required if annual cash operating expenses Rs.150 lakhs.

Stock holding:	Raw Materials	: 2 Months
	W.I.P	: 15 days
	Finished goods	: 1 Month
	Average dept collection	: 2 Months
	Average payment period	: 45 days

4. A project costs Rs.20 lakhs and yields annually a profit of Rs.3 lakhs after depreciation at 12.5% but before tax at 50%. Compute payback period.
5. H Ltd., Issued 6,000 10% Debentures of Rs.100 at a discount of 10%. The issue expenses are Rs.4,000. Assuming a tax rate of 50% .Compute the before tax and after tax cost of debt.
6. The following date relates to Y Ltd.,

Earnings per share	: Rs.14
Capitalisation rate	: 15%
Rate of return	: 20

   Compute the market price per share under Gordon's model if retention is (a) 40% (b) 60% (c) 20%
7. Explain the different sources of short term finance.

Contd...

8. Solve ARR from the following data:

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

Section C

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

9. Explain the function of financial Management.

10. From the following capital structure of a company, compute the overall cost of capital using (i) book value weights and (ii) Market value weights.

	Book value (Rs.)	**Market value (Rs.)**
Equity Share capital (Rs.10 per share)	45,000	90,000
Retained earnings	15,000	——
Preference Share capital	10,000	10,000
Debentures	30,000	30,000

The after tax cost of different sources of finance is as follows:

Equity Share Capital	: 14%
Retained earnings	: 13%
Preference share capital	: 10%
Debentures	: 5%

11. Details regarding three companies are given below

A Ltd.,	**B Ltd.,**
r = 18%	r = 20%
k = 15%	k = 20%
E = Rs.30	E = Rs.40

By using Walter's Model , you are required to

(i) Calculate the value of an equity share of each of these companies when dividend payout is (a) 30% (b) 60% (c) 100%

(ii) Comment on the result drawn.

12. From the following information, prepare a statement showing the estimated working capital requirements:

Budgeted sales – Rs.2,60,000 p.a.

Analysis of cost and profit of each unit

Raw materials	: Rs.3
Labour	: Rs.4
Overheads	: Rs.2
Profit	: Rs.1
Selling price per unit	: Rs.10

(a) Pending use of raw materials are carried in stock for three weeks and finished goods for two weeks.
(b) Factory processing will take 3 weeks.
(c) Suppliers will give five weeks credit and customer will require eight weeks credit

It may be assumed that production and overheads accrue evenly throughout the year.

13. From the following data solve the payback period under simple cash flow approach as well as discounted cash flow approach
Project cost Rs.5,00,000
Cash flows for 5 years (Project life)
Rs.1,00,000; Rs.1,40,000; Rs.2,00,000; Rs.1,60,000 and Rs.1,20,000
Appropriate discount rate for the project is 10%.

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