

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. END SEMESTER EXAMINATIONS APRIL -2024
SEMESTER - VI

20UCOET6002 - Financial Management

Total Duration : 2 Hrs 30 Mins.

Total Marks : 60

Section B

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

- Briefly explain the various functions of a finance manager.
- A Company issues 10% irredeemable debentures of Rs.1,00,000. The company is in 55% tax bracket. Calculate the cost of debt (before as well as after tax) if the debentures are issued at (i)par: (ii)10% discount and (iii)10% premium.
- A project requires investment of Rs.1,00,000 initially. It is estimated to provide annual net cash inflows of Rs.40,000 for a period of 8 years. The company's cost of capital is 10%. Ascertain the net present value of the project. Reference to annuity table shows present value of Re.1 for 8 years at 10% p.a.
- What are the factors to be considered in determining working capital requirements of a firm?
- Calculate Pay back period for a project which requires a cash outlay of Rs.1,00,000 and generates cash inflow of Rs.25,000; 35,000; 30,000; and 25,000. In the first, second, third and fourth year respectively.
- The installed capacity of a factory is 600 units. Actual capacity used is 400 units. Selling price per units is Rs.10. Variable cost is Rs.6 per unit.
Calculate the operating leverage in each of the following three situations:
When Fixed Costs are Rs.400.
When Fixed Costs are Rs.1,000.
When Fixed Costs are Rs.1,200.
- Raj Limited is engaged in customer retailing. You are required to estimate its working capital requirements from the following data.

Projected Annual sales	Rs.9,00,000
Percentage of Net Profit to Cost of Sales	20%
Average credit allowed to Debtors	1 Month
Average credit allowed by Creditors	2 Month
Average stock carrying (in terms of sales requirements)	2 Month
To allow for Contingencies	10%

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8. Calculate the operating, financial and combined leverages from the following Information.

	Rs.
Sales	50,000
Variable cost	25,000
Interest	5,000
Fixed cost	15,000

Section C

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

9. Explain the nature and objectives of financial management.
10. Project X initially costs Rs.35,000. It generates the following cash flows:

Year	Cash inflows (Rs.)	Present Value of Rs.1 at 10%
1	9,000	0.909
2	8,000	0.826
3	7,000	0.753
4	6,000	0.683
5	5,000	0.621

Taking the cut off rate as 10% suggest whether the project should be accepted or not?

11. Deepak Co.Ltd., is considering two alternatives for the purchase of new machine i.e., A and B each costing Rs.4,00,000. Earnings after taxes are expected to be as under:

Year	Cashflow		
	Machine A (Rs.)	Machine B (Rs.)	P.V.at 10%
1	40,000	1,20,000	0.91
2	1,20,000	1,60,000	0.93
3	1,60,000	2,00,000	0.75
4	2,40,000	1,20,000	0.68
5	1,60,000	80,000	0.62

Determine which machine is better on the basis of profitability index.

12. Explain the methods of forecasting the working capital requirements of a firm.

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13. Following information is available with regards to the capital structure of Harris Ltd.,

	Amount (Rs.)	After tax cost of capital %
Debentures	12,00,000	5%
Preference share capital	4,00,000	10%
Equity share capital	8,00,000	15%
Retained earnings	16,00,000	12%

You are required to calculate weighted average cost of capital (WACC).
