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 APRIL - 2024
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. What are the objectives of financial management?
2. Raja 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 share issued (a) at par: (b) at a premium of 10% and (c) at a discount of 5%.
3. Explain the Modigiliani Miller hypothesis of irrelevance of capital structure.
4. Explain the concept of working capital.
5. Briefly explain and illustrate the concept of time 'value of money'.
6. What is the significance of P/E ratio?
7. What are the factors to determining dividend policy.
8. Project sukumar has an Initial Investment of Rs.3 lakh. Its cash flows for five years are Rs.90,000, Rs.1,08,000, Rs.90,000, Rs.79,200 and Rs.72,000. Determining the discounted payback period assuming a discount rate of 10% p.a.

Section C

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

9. Explain the functions of financial management.
10. Anderson Ltd is considering two plans to finance a project costing Rs.50 lakh. The details are:

Particular	**Plan I (Rs. In lakh)**	**Plan II (Rs. In lakh)**
Equity share capital (Rs.100 per share)	20	25
12% Debentures	30	25

Sales for the first three three years of operations are protected at Rs.120,150 and 180 lakhs respectively. EBIT is expected to be 15% of sales. Corporate tax is 35%. Calculate the EPS in each of the plans for three years.

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11. The earnings per share of a company is Rs.8 and the rate of capitalization applicable is 10%. The company has before it, an option of adopting (i) 50, (ii) 75 and (iii) 100% dividend pay out ratio. Compute the market price of the company's quoted shares as per Walter's model if it can earn a return of (a) 15, (b) 10 and (c) on its retained earnings.

12. What are the methods of capital budgeting used for evaluating investment projects?

13. Cost sheet of a company provides the following particulars. Raw materials 40%; Labour 10%; Overheads 30%.
    The following details are also available:
    (a)Raw materials remain in stores for 6 weeks
    (b)Processing time - 4 weeks
    (c)Finished goods are in stock for 5 weeks
    (d)Period of credit allowed to debtors 10 weeks
    (e)Lag in payment of wages 2 weeks
    (f)Period of credit allowed by creditors 4 weeks
    (g)Selling price Rs.50 per unit
    (h)Production in units 13,000 per annum Prepare an estimate of working capital.

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