

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. ISM - END SEMESTER EXAMINATIONS - NOV'2024

SEMESTER - III

23UBICT3005 - 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. Interpret the significance of Cost of Capital.
3. Describe the various types of Capital budgeting decisions.
4. A Ltd., expects the net operating income of Rs.1,20,000. It has Rs.6,00,000, 6% Debentures. The overall capitalisation rate is 10%. Calculate the value of the firm and cost of equity according to the net operating income approach.
5. Nacho Ltd., has issued 40,000 shares of Rs.10 each fully paid. The company has earned a profit of Rs.40,000 after tax. The market price of these shares is Rs.16 per share. The company has paid a dividend of Re.0.80 per share. Calculate the cost of equity on the basis of (i) Dividend yield method and (ii) Earnings price method.
6. Project K requires an investment of Rs.20,00,000 and yields profits after tax and depreciation as follows:

Year	1	2	3	4	5
Profits after tax & Depreciation (Rs.)	1,00,000	1,50,000	2,50,000	2,60,000	1,60,000

At the end of 5th year, the plant can be sold for Rs.1,60,000. You are required to calculate ARR.

7. The following information relates to vignesh Ltd., Earnings per share Rs.9;
Internal rate of return 18%; Cost of Capital 12%; Payout ratio 33.33%. Compute
the market price under the Walter's model.
8. Rose Ltd., 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%

Contd...

Average credit allowed to debtors 1 month
 Average credit allowed by creditors 2 months
 Average stock carrying (in terms of sales requirements) 2 ½ months
 Add 10% to allow for contingencies.

Section C

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

9. Explain the factors affecting Capital structure of a firm.
10. Following information is available with regards to the capital structure of Edwards 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).

11. From the following information ascertain net present value assuming the initial investment is Rs.2,00,000.

Year	Cash inflow	Discount factor @10%
I	90,000	0.909
II	90,000	0.826
III	80,000	0.751
IV	80,000	0.683
V	60,000	0.621

12. The cost of capital and the rate of return on investment of J.K.Ltd., are 10% and 15% respectively. The company has one million equity shares of Rs.10 each outstanding and earnings per share are Rs.5. Calculate the value of firm in the following situations. Use Walter's model and comment on the results.
 (a) 100% retention (b) 50% retention (c) No retention.
13. Godrej Company sells goods in the home market and earns a gross profit of 20% on sales. Its annual figures are as follows.
 Sales Rs.3,00,000; Materials used Rs.1,08,000; Wages Rs.96,000; Manufacturing expenses Rs.30,000; Administrative expenses Rs.1,20,000; Depreciation Rs.12,000; Selling expenses Rs.18,000.

Contd...

Additional information:

- (a) Credit given by suppliers 2 months
- (b) Credit allowed to Customers 1 month
- (c) Lag in payment of wages $\frac{1}{2}$ month
- (d) Lag in payment of Administrative expenses 1 month
- (e) Selling expenses are paid quarterly in advance
- (f) Raw Materials and finished goods are in stock for 1 month
- (g) Cash balance estimated to be maintained at Rs.30,000

You are required to prepare a statement of Working Capital requirement.
