

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 - IV

20UBICT4008 - 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. Explain the significance and relevance of cost of capital.
3. A project costs Rs.20 lakh and yields annually a profit of Rs.3 lakh after depreciation at 12.5% but before tax at 50%. Compute payback period.
4. What is MM approach of irrelevance concept of dividends? Under what assumptions do the conclusions hold good?
5. The following information is available in respect of a firm. A company has earnings before interest and taxes of Rs.7,00,000. It expects a return on investment at a rate of 12.5%. You are required to prepare the total value of the firm according to the MM theory.
6. Relate the importance of cost of capital in a business valuation.
7. Explain the need and significance of capital budgeting.
8. Determine the measures of dividend policy.

Section C

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

9. Explain the functions of Financial Management.
10. Murugan Ltd., has a share capital of Rs.1,00,000 divided into shares of Rs.10 each. It has a major expense in programme requiring an investment of another Rs.50,000. The management is considering the following alternatives for raising the amount:
 - a) issue of 5,000 equity share of Rs.10 each:
 - b) issue of 5,000 12% preference shares of Rs.10 each;
 - c) issue of 10% debentures of Rs.50,000

Contd...

The company's present EBIT are Rs.40,000 per annum. Assume the income tax rate is 50%. Calculate the effect of each of the above modes of financing of EPS presuming:

- i) EBIT continues to be the same even after expansion.
- ii) EBIT increases by Rs.10,000
- iii) EBIT increases by 10%

11. Ascertain the importance of cost of capital.

12. Compute 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

13. Determine the various factors influencing dividend policy.
