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. A&F - END SEMESTER EXAMINATIONS - NOV'2024
SEMESTER - V
20UAFCT5016 - 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. Describe briefly the importance of financial management.
3. Krishna Ltd., is expecting an annual EBIT of Rs.2,00,000. The company has Rs.7,00,000 in 10% debentures. The cost of equity capital or capitalization rate is 12.5%. You are required to calculate the value of the firm. Also compute the overall cost of capital.
4. Compute the financial leverage from the information given below:
   Net worth: Rs.20,00,000
   Debt/Equity ratio: 3:1
   Interest rate = 10%
   Operating profit = 18,00,000.
5. ARR Ltd., issued 5,00,000 Equity shares of Rs.10 each at a premium of 10%. The company has been paying a dividend of 27% regularly for the past 5 years. It is expected to maintain the dividend in future also. You are required to solve:
   a) the cost of equity capital
   b) the cost of equity capital if the market price of the share is Rs.50?
6. The capital structure and after tax cost of different sources of funds are given below:

Sources of Funds	Amount	Proportion of total	After tax cost %
Equity share capital	7,20,000	.30	15
Retained earnings	6,00,000	.25	14
Preference share capital	4,80,000	.20	10
Debentures	6,00,000	.25	8

You are required to solve the weighted average cost of capital.

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7. Natesh Ltd., Gives you the following information:

   Earnings per share(EPS) = Rs.18
   Cost of capital(K) = 20%
   Return on investment(r) = 20%

   show out the market price per share using Gordon's Model, if the pay-out is (a) 25% (b) 50% (c) 75%

8. Ascertain the operating cycle of a company which gives the following details relating to its operations:

Particulars	**Amount (Rs.)**
Raw materials consumption per annum	8,42,000
Annual cost of production	14,25,000
Annual cost of sales	15,30,000
Annual sales	19,50,000
Average value of current assets held	
Raw materials	1,24,000
Work in progress	72,000
Finished goods	1,22,000
Debtors	2,60,000

   The company gets 30 days credit from its suppliers. All sales made by the firm are on credit only. You may take one year as equal to 365 days.

Section C

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

9. Explain the role of financial managers in financial Management.

10. Company X and Company Y are in the same risk class and identical in all respects except that company uses debt. While company does not levered company has Rs.9 lakh debentures, carrying 10% rate of interest. Both companies earn 20% before interest and taxes on their total assets of Rs.15 lakh. Assume perfect capital markets, tax rate of 15% for all equity company. Compute the value of both companies under NI and NOI approach.

11. Sarathy Ltd., issued 14% 20,000 Debentures of Rs.100 each. Marketing costs are Rs.40,000. The debentures are to be redeemed after 10years and the company is taxed at the rate of 40%. Diagnose the cost of debt if the debentures are issued (a)at par, (b)at premium of 5% and (c) at a discount of 5%.

12. Details regarding three companies are given below:

Nel Ltd.,	**Mel Ltd.,**	**Gel Ltd.,**
r =18%	r =20%	r =8%
k = 15%	k = 20%	k = 10%
E = Rs.30	E = Rs.40	E = Rs.20

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By using Walter's model, you are required to

(i) Compute the value of an equity share of each of these companies when dividend pay-out is (a) 30% (b) 60% (c) 100%

(ii) comment on the results drawn.

13. Give an estimate of working capital requirement from the following information of a trading concern.
    a) Projected annual sales Rs.1,00,000 units;
    b) Selling price per unit Rs.8;
    c) Percentage of net profit on sales 25%;
    d) Average credit period allowed to customers 8 weeks;
    e) Average credit period allowed to suppliers 4 weeks;
    f) Average stock holding terms of sales requirement 12 weeks;
    g) Allow 10% for contingencies.

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