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. Honours - END SEMESTER EXAMINATIONS - NOV'2024
SEMESTER - V

20UBHCT5023 - Financial Management

Total Duration : 2 Hrs.30 Mins. Total Marks : 60

Section B

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

1. Enlist the Scope of Financial Management.
2. A company issued 10,000 10% debentures of Rs.100 each at a premium of 10% on 01/04/2020 to be matured on 01/04/2024. The debentures will be redeemed on maturity. Compute the cost of debentures assuming 35% as tax rate.
3. Discuss the essential features of an appropriate capital structure.
4. Calculate payback period for a project which requires a cash outlay Rs.50,000 and generates cash inflows of Rs.20,000; Rs.10,000; Rs.30,000 and 10,000.
5. Calculate the capital-gearing ratio from the following information. Comment on the ratio if the firm is passing through the period of inflation and planning expansion.

	Amount (Rs.)
Equity share Capital	7,00,000
7% Preference Share Capital	2,00,000
11% Debentures	4,00,000
Long Term Loan from MPSFC	3,00,000
Reserves and Surplus	4,00,000
Current Liabilities	10,00,000

6. State the different types of Dividends.
7. The following information is available in respect of an enterprise:

   Annual consumption of a raw material : 20,000 units
   Ordering cost per order : Rs.1,875
   Carrying cost : Rs.3 per unit/per annum

   Find out the Economic Order Quantity of the raw material, number of orders to be placed in a year.

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8. Analyse the aim of Finance Functions.

Section C

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

9. Discuss the Objectives of Financial Management.

10. Calculate the Weighted Average Cost of Capital using the following data by using: (a) Book value weights (b) Market Value Weights.
The capital structure of the company is as under

	Amount (Rs.)
Debentures (Rs.100 per Debenture)	5,00,000
Preference Shares (Rs.100 per share)	5,00,000
Equity Shares (Rs.10 per share)	10,00,000
	20,00,000

Market price of these securities are:

Debentures Rs.105 per debenture
Preference Shares Rs.110 per preference share
Equity Shares Rs.24 each

Additional Information:

(i) Rs.100 per debenture redeemable at par, 10% coupon rate, 4% floatation costs, 10 year maturity

(ii) Rs.100 per share redeemable at par, 5% coupon rate, 2% floatation cost and 10 year maturity.

(iii) Equity shares have Rs.4 floatation cost and market price Rs.24 per share.

(iv) The next year expected dividend is Rs.1 with annual growth of 5%. The firm has practice of paying all earnings in the form of dividend. Corporate tax rate is 50%.

11. From the following information, extracted from the books of a manufacturing company of XYZ & Co, compute the operating cycle in terms of days and amount of working capital needed for the company.

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Particulars	
Period Covered	365 days
Average period of credit allowed by Suppliers	20 days
	(Rs.in '000)
Average total of Debtors outstanding	480
Raw Material Consumption	4,400
Total Production Cost	10,000
Total Cost of Sales	10,500
Sales for the year	16,000
Value of Average Stock maintained:	
Raw Material	320
Work in Progress	350
Finished Goods	260

12. A firm has sales of Rs.10,00,000, variable cost of Rs.7,00,000 and fixed costs of Rs.2,00,000 and debt of Rs.5,00,000 at 10% rate of interest. What are the operating, financial and combined leverages? If the firm wants to double its earnings before interest and tax (EBIT), how much of a rise in sales would be needed on a percentage basis?

13. A limited company is considering investing in a project requiring a capital outlay of Rs.2,00,000.. forecast of annual income after depreciation but before tax is as follows:

Year	**Amount (Rs.)**
1	1,00,000
2	1,00,000
3	80,000
4	80,000
5	40,000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income.
Calculate:
a. Pay- back method
b. Rate of return on Original investment
c. Rate of return on average investment
d. Discounted cash flow method taking cost of capital at 10%.
e. Excess present value index.

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