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 - NOV'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. Discuss the objectives of the financial management.
2. From the following details, calculate the market value of equity share of a company by using Walter's model:
   Earnings per share (E) = ₹5
   Dividend per share (D) = ₹3
   Rate of return on Investment (r) = 15%
   Cost of capital (k) = 10%
   Will there be any change in the value, if 100% dividends are paid instead of present 60%?
3. Prepare an estimate of working capital requirements from the following information of a trading concern.
   a) Projected annual sales 1,00,000 units
   b) Selling price ₹8 per unit
   c) % of net profits on sales 25%
   d) Average credit period allowed to customers: 8 weeks
   e) Average credit period allowed by suppliers: 4 weeks
   f) Average stock holding in terms of sales requirement: 12 weeks
   g) Allow 10% for contingencies.
4. A company decided to make an investment in a new project which costs ₹1,00,000. The working life of the project is expected to be 5 years after which it is expected to be sold for a scrap value of ₹10,000. The company's incremental PAT is expected to be ₹6,000, ₹7,000, ₹8,000, ₹7,500 and ₹6,500 for the next 5 years. Assuming depreciation on a straight line basis and tax rate 40%, Find out the ARR.
5. The equity capital DJ Ltd., consists of ₹4,000 equity shares of ₹10 each. Currently these shares are quoted in the market at ₹200 each. The earnings available to the equity share holders at the end of the period ₹2,40,000. The earnings are expected to grow @ 7% p.a. what is the cost of equity capital as per earnings growth model?

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6. Describe the assumptions of Walter's Mode.
7. Write the format for computation of working capital.
8. A machine will cost ₹80,000 initially. It will also need a working capital of ₹20,000 at the zero period. The yearly profits before tax are expected to be ₹15,000 p.a. The machine has a life of 8 years and depreciation has been provided on straight line basis. The tax rate is 40%. Calculate the payback period for the machine. If the company has a policy of accepting only those projects which can be recouped in 5 years or less, should the company invest in this machine?

Section C

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

9. What will be the role of financial manager of an organization?
10. Discuss the various theories of capital structure.
11. CS Ltd., has 8,00,000 equity shares outstanding of the beginning of the year 2007. The current market price per share is ₹120. The board of directors of the company is contemplating ₹6.4 as dividend per share the rate of capitalization appropriate to the risk class to which a company belongs is 9.6%.
    (i) Based on MM approach calculate market price of the share of the company when the dividend is declare dividend is not declared.
    (ii) How many new share are to be issued by the company if the company desires to investment budget of ₹3.2crores by the end of year assuming net income for the year will be ₹6 crores.
12. From the following information of a manufacturing concerns. Compute the operating cycle in days:

i)	Period covered	365 days
ii)	Average period of credit allowed by suppliers	16 days (₹in'000)
iii)	Average debtors outstanding	₹480
iv)	Raw material consumption	₹4,400
v)	Total production cost	₹10,000
vi)	Total cost of goods sold	₹10,500
vii)	Sales for the year	₹16,000
viii)	Value of average stock maintained:	
	Raw material ₹320	
	Work In Process ₹350	
	Finished goods ₹260	

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13. Y Ltd., is planning a machine for ₹1,40,000 which is likely to emanate following earning in next five years:

Years	1	2	3	4	5
Earnings (₹)	50,000	55,000	60,000	62,000	65,000

The machine will require additional working capital of ₹15,000. It will also require installation charges of ₹10,000. The machine will be depreciated on Straight line method basis and has salvage value of ₹25,000. The company is subject to tax at the rate of 50%. Should the machine be purchased if the cost of capital is 10%. Evaluate the project applying NPV method.

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