



22100108

QP CODE: 22100108

Reg No :

Name :

B.COM DEGREE (CBCS) REGULAR / REAPPEARANCE EXAMINATIONS, JANUARY 2022**Fifth Semester****CORE COURSE - CO5CRT16 - FINANCIAL MANAGEMENT**

(Common for B.Com Model I Finance and Taxation, B.Com Model I Co-operation, B.Com Model I Computer Applications, B.Com Model I Marketing & B.Com Model I Travel and Tourism)

For Regular Candidates : 2017 Admission Onwards**For Private Candidates : 2019 Admission Only**

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Time: 3 Hours

Max. Marks : 80

Instructions to Private candidates only: This question paper contains **two sections**. Answer **SECTION I** questions in the answer-book provided. **SECTION II**, Internal examination questions must be answered in the question paper itself. Follow the detailed instructions given under **SECTION II**

SECTION I**Part A**

Answer any **ten** questions.

Each question carries **2** marks.

1. What do you mean by Profit maximisation?
2. What do you mean by Venture Capital?
3. What is Cost of Capital?
4. XYZ Ltd. issues 50000, 10 % debentures of Rs.100 each at a discount of 5 %. The debentures are redeemable at premium of 5% after 10 years. The tax rate applicable to the company is 50%. Compute cost of debt.
5. Tisco Ltd issued 150000, 20% preference shares of Rs 75/- each. Calculate the cost of preference capital if the shares are issued at discount of 9% and the cost of issue is Rs 5per share.
6. What you mean management of fixed capital?
7. How will you compute initial capital outlay?
8. Define Working Capital Management.
9. From the following information you are required to calculate expected working capital requirement using operating cycle method.
Operating cycle 15 days
Cost of goods sold 12,00,000
Minimum desired level of cash to be maintained 18,750
Assume 360 days in a year



10. What do you mean by cash dividend?
11. The return on investment of B Ltd. is 20% and its retention ratio is 60%. Find out growth rate?
12. What do you mean by sub division of shares? Give example.

(10×2=20)

Part B

Answer any **six** questions.

Each question carries **5** marks.

13. Explain the scope of Financial management.
14. A company made an issue of 50000, Rs 20 equity shares, with expectation of payment of dividend at the rate of 25% per share after five years. The issuing expenses are estimated at 4% of its face value. The company earned a profit of Rs 100000/- and decided to retain 1/2 of its profits for future capital need. Compute cost of retained earnings; assume the brokerage is 2% of its face value. The underwriting commission is 2.5% of its issue price.
15. "Under capitalization is better than over capitalization". Is it? Why?
16. A project under consideration by X Ltd requires a capital investment of Rs. 60 lakhs. Interest on term loan is 10% per annum and tax rate is 50%. Calculate the point of indifference for the project if the debt –equity ratio insisted by the financing agencies is 2:1.
17. Bajaj Ltd issues 10000, 12% debentures of Rs 50/- each at a discount of 25%. The cost of floatation is 5%. The rate of tax is applicable to the company is 45%. Compute the cost of debt capital.
18. Write Short Notes on the following: (1).Capital Budgeting (2) Cut-off point (3) Pay-Back period (4) Risk and Uncertainty (5) NPV and IRR.
19. What are the sources used for financing temporary requirement of working capital?

20. From the following data prepare Working Capital forecast:

Budgeted Sales(Rs.20 per unit)	Rs.5,20,000
Analysis of one rupee sales:	Rs
Raw Material	0.30
Labour	0.40
Overheads	0.10
Profit	0.10
Sales	1.00

It is estimated that:

1. Raw materials are kept in stock for 3 weeks and finished goods for 2 weeks.
 2. Factory processing will take 3 weeks.
 3. suppliers will give 5 weeks credit and customers will require 8 weeks credit.
- It may be assumed that wages and overheads accrue evenly throughout the year.



21. What do you mean by bonus share? Explain effects of issue of bonus shares.

(6×5=30)

Part C

Answer any **two** questions.

Each question carries **15** marks.

22. A company has to make a choice between three possible investments. Project A, B and C, the immediate capital outlay on each being Rs.11,000. Each will continue for 8 Years and it has been decided that a discount rate of 10% is acceptable for all three. The cash flows for the three projects are as follows:

Year	1	2	3	4	5
A	Rs.1,000	Rs 2,000	Rs.3,000	Rs.4,000	Rs.5,000
B	Rs.3,000	Rs 2,000	Rs.3,000	Rs 2,000	Rs.5,000
C	Rs.1,000	Rs.3,000	Rs.3,000	Rs 2,000	Rs.4,000
PV Factor at 10%	0.909	0.826	0.683	0.751	0.621

Which project would you recommend and why?

23. Atm Ltd Has a sale of Rs 500000/-. The variable costs are 45% the sales, while the fixed operating cost amounts to Rs 100000/- and the amount on interest on long term debt is Rs 60000/-. Calculate the combined leverage and find out the impact if sales decreased by 10%.
24. From the following details calculate weighted average cost of capital of MM Ltd assuming tax rate of 25%. The total liability of the company includes 10000 equity shares of Rs 10 each, reserves of Rs 20000/- and 10% borrowed fund amounting Rs 75000/- . The firms total profit after interest and taxes for the current year is Rs 15000/- , the current market price of share is Rs 15/-.
25. Discuss various methods of estimating Working Capital requirements.

(2×15=30)