23133453

QP CODE: 23133453

Reg No : ....

Name : ....

B.COM DEGREE (CBCS) REGULAR / REAPPEARANCE EXAMINATIONS, OCTOBER 2023

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

2017 Admission Onwards

2F510BFD

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*

Part A

*Answer any **ten** questions.*

*Each question carries **2** marks.*

1. Define Financial management.

2. Raj Ltd issues 300000, 11% debentures of Rs 1000 each, the debentures are redeemable after 10 years and the tax rate is 30%, calculate the cost of debt after tax.

3. A Company issues 10,000, 12 % preference shares of Rs. 100 each at a premium of Rs 2 per share. Compute the cost of preference capital.

4. Gim Ltd made an issue of 100000, Rs 10 equity shares, with expectation of payment of dividend at the rate of 15% per share after two years. The issuing expenses are estimated at 2% of its face value. The company earned a profit of Rs 25000/- and decided to retain ¼ of its profits for future capital need. Compute cost of retained earnings; assume the brokerage is 2% of its face value.

5. Hit Ltd has fixed cost Rs 400000/-, variable cost – Rs 380000, sales Rs 520000/- for the previous year and 10% more than the current year. Compute operating leverage.

6. State the techniques of capital budgeting.

7. What is the decision rule in ARR?

8. Differentiate Consevative and Aggressive Approaches of financing Current assets.

9. From the following calculate Net Working Capital
   Cash: Rs. 2,00,000, Cash at bank Rs. 80,000, Debtors: Rs. 85,000, Bank overdraft: Rs

2,80,000, and short term loans: Rs. 20,000.

10. What do you mean by stock dividend?

11. The earnings per share of A Ltd. is Rs. 4 and the company distributes Rs.1.60 as dividend. Calculate Payout ratio and retention ratio.

12. What do you mean by bonus shares?

(10×2=20)

Part B

*Answer any **six** questions.*

*Each question carries **5** marks.*

13. Write short notes on Types of Finance.

14. There are some indirect Sources of Finance which are more relevant in the operation of modern business firm? Explain with examples.

15. Operating and financial decisions are normally influenced by cost of capital. How?

16. There are different theories which Explain various dimensions of capitalization- Explain.

17. ZY Ltd needs Rs 250000/- for expansion. The expansion is expected to yield an annual EBIT Rs 75000/-. In choosing a financial plan, the company has an objective of maximizing earnings per share. It is considering the possibility of issuing equity shares and raising DEBT OF Rs 100000/-, or Rs 200000/- or Rs 300000/-. The current market price per share is Rs 15and expected to drop to Rs 12/- if the funds are borrowed in excess of Rs 300000/- assume tax rate is 30%. Determine the EPS for the financing plan.

18. Critically evaluate NPV method.

19. Explain the main components of Working capital.

20. From the following information extracted from the books of a manufacturing concern compute the working capital operating cycle.
Average credit period allowed by suppliers -16 days, Average total of debtors outstanding - Rs.4,80,000, Raw material consumption- Rs.44,00,000, Total production cost- Rs. 1,00,00,000, Total cost of sales - Rs. 1,05,00,000, Sales for the year - Rs. 1,60,00,000, Average stock of raw materials - Rs.3,20,000, Average stock of work- in –progress Rs. 3,50,000, Average stock of finished goods - Rs.2,60,000.

21. What do you mean by stock split? What are its advantages?

(6×5=30)

Part C

*Answer any **two** questions.*

*Each question carries **15** marks.*

22. Banu Ltd has equity shares of Rs 600000/- , 17% preference shares of Rs 200000/- and 11% debentures of Rs 100000/- in its capital structure. The cost of equity capital of the company is 19.5% and income tax rate is 22%. Compute the cost of capital of the company before and after tax.

23. Jindal Ltd needs Rs 800000/- for its expansion. The following three financial plans are feasible.

A) The company may issue 80000 equity shares at Rs 10 each.

B) Company may issue 40000 ordinary shares at Rs 10 each and 4000, 12% debentures of Rs 100 each.

C) it may issue 25000 equity shares of Rs 10 each, 5500 preferences shares of Rs 100 each bearing 13% interest rate.

If the company's earnings before interest and taxes are Rs 25000/-, Rs 75000/- and Rs 125000/- What are the earnings per share under each of the three financial plans? Which plan would you recommend and Why?

24. Rank the investment proposals in the order of their profitability according to (a) Payback period method (b) Present value index method (cost of capital 10%).

Proposals	A	B	C	D	E
Initial outlay	Rs.50,000	Rs.5,000	Rs.25,000	Rs.50,000	60,000
Annual Cash Flow	Rs.6,000	Rs.1,000	Rs.3,000	Rs.8,000	Rs.16,000
Life in Years	10	05	10	8	12

P. V. of amount of Rs.1 at 10% for 5 years - 3.791, 8 years - 5.335, 10 years - 6.145 and 12 years - 6.814.

25. A proforma cost sheet of a company provides the following particulars;

Elements of Cost	Percentage
Material	40%
Direct Labour	20%
Overheads	20%

The following further particulars are available:

(a) It is proposed to maintain a level of activity of 2,00,000 units.

(b) Selling price is Rs. 12/- per unit.

(c) Raw materials are expected to remain in stores for an average period of one month.

(d) Materials will be in process, on averages half a month.

(e) Finished goods are required to be in stock for an average period of one month.

(f) Credit allowed to debtors is two months.

(g) Credit allowed by suppliers is one month.

You may assume that sales and production follow a consistent pattern. You are required to prepare a statement of working capital requirements.

(2×15=30)