

QP CODE: 24044522



Reg No :

Name :

**B.VOC DEGREE REGULAR/REAPPEARANCE
EXAMINATIONS, OCTOBER 2024**

Fifth Semester

B.Voc Business Accounting and Taxation

TBOC502 - FINANCIAL MANAGEMENT

2018 Admission Onwards

AA060A0A

Time: 3 Hours

Max. Marks : 80

Part A

*Answer any **ten** questions.*

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

1. What is wealth maximization objective of financial management?
2. State the advantages of wealth maximization objective.
3. The current dividend paid by the company is Rs. 5 per share, the market price of the equity share is Rs. 100 and the growth rate of dividend is expected to remain constant at 10%. Find out the cost of capital.
4. A company has three alternative plans : A B C Rs. Rs. Rs. Equity Capital 30,000 15,000 45,000 Debt @ 10% 30,000 45,000 15,000 EBIT Rs. 6,000 Calculate financial leverage.
5. A project costs Rs. 20,00,000 and yields annually a profit of Rs. 3,00,000 after depreciation @ 12½% but before tax at 50%. Calculate the pay-back period.
6. Write a short note on independent project and mutually exclusive project.
7. Explain the significance of capital budgeting.
8. Analyse the impact of inadequate working capital.
9. Explain the important motives of holding cash.
10. Narrate aggressive working capital.
11. State Crux the Argument.
12. What is dividend theory? Explain Walters model.

(10×2=20)

Part B

*Answer any **six** questions.*

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



13. Discuss the objectives of financial management.
14. Explain various types of finance.
15. Explain the features of equity share. Discuss the advantages from company and investors' point of view.
16. A company has issued 11% debentures for Rs. 2,00,000. The underwriting, brokerage and other issuance costs amount to Rs. 10,000. The terms of debenture issue provide for repayment of principal in 5 equal instalments starting at the end of the first year. The tax rate is 60%. Calculate cost of debt capital.
17. What is meant by 'Internal Rate of Return' of a project? How do you calculate I.R.R (Internal Rate of Return) given the initial investment on the Project and cash flows arising during the expected life of the Project?
18. A project with a capital expenditure of Rs. 5,00,000 is expected to produce the following profits (after deducting depreciation). Year Rs. 1 40,000 2 80,000 3 90,000 4 30,000
Compute ARR.
19. Explain the disadvantage of excessive working capital.
20. What is dividend decision? Explain various forms of Dividend.
21. Discuss Gordons Model and Walters model.

(6×5=30)

Part C

Answer any **two** questions.

Each question carries **15** marks.

22. Define financial management. Critically evaluate various approaches to the financial management.
23. The following data is available for ABC Ltd. Rs. Sales 7,50,000 Variable Cost 4,20,000 Fixed Cost 60,000 Debt 4,50,000 Interest on Debt @ 9% Equity Capital 5,50,000
Calculate ROI, Operating, financial and combined leverage. Also ascertain the level at which EBIT will be zero.
24. Following is the information of Ashok Industries Ltd. Latur for the year 31st Mar. 2017. You are required to calculate the working capital requirements from the following information:
Particulars Rs. Raw materials 160 Direct labour 60 Overheads 120 Total cost 340 Profit 60 Selling price 400
Raw materials are held in stock on an average for 1 month period. Materials are in process on an average for ½ month period. Finished goods are in stock on an average for 1 month period. Credit allowed by suppliers is 1 month period and credit allowed to debtors is 2 month period. Time lag in payment of wages is 1½ weeks. Time lag in payment of overhead expenses is 1 month. 1/4 th of the sales are made on cash



basis. Cash in hand and at the bank is anticipated to be Rs. 50,000; and anticipated level of production Cash in hand and at the bank is anticipated to be Rs. 50,000; and anticipated level of production amounts to 1,04,000 units for a year of 52 weeks. You may assume that production is carried on evenly throughout the year and a time period of four weeks is equivalent to a month.

25. Are dividends irrelevant? What assumptions are required to substantiate that dividend policy is irrelevant?

(2×15=30)