

QP CODE: 24033392



Reg No :

Name :

**B.COM DEGREE (CBCS) REGULAR / REAPPEARANCE EXAMINATIONS, OCTOBER
2024**

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

CBEA969C

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. What do you mean by Private Finance?
2. P Ltd. issues 10,000 10 % preference shares of Rs. 10 each at a discount of 10 %. Compute the cost of preference capital.
3. 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 $\frac{1}{4}$ of its profits for future capital need. Compute cost of retained earnings; assume the brokerage is 2% of its face value.
4. Explain earning theory of Capitalization.
5. What do you mean by business risk?
6. Define capital budgeting.
7. What is the decision rule in profitability index method?
8. What is operating cycle?



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 constant dividend per share?
11. What do you mean by bonus shares?
12. What do you mean by reverse stock split? Give example.

(10×2=20)

Part B

Answer any **six** questions.

Each question carries **5** marks.

13. How is Marketing related with Financial management?
14. How debentures are different from bonds? Explain with examples.
15. A) Sag Ltd issued 35000, 15% debentures of Rs 250/- each at a discount of 20%, what is the cost of debt?
B) Tingo Ltd issues 2500, 8% debentures of Rs 350/- each at a premium of 20%, calculate the cost of debt when the tax rate is 25%. If the issue is at discount 10% , what is the cost of debt?
16. A firm is currently earning Rs.100,000 and its share is selling at a market price of Rs. 80. The firm has 10,000 shares outstanding and has no debt. The earnings of the firm are expected to remain stable, and it has a payout ratio of 100 per cent. What is the cost of equity? If the firm's payout ratio is assumed to be 60 per cent and it earns 15 per cent rate of return on its investment opportunities, then what would be the firm's cost of equity?
17. The analysis of Wim Ltd shows that the company has EBIT Rs 850000/- , Contribution Rs 225000/- and interest Rs 35000/-. Calculate percentage change in EPS when the sales are expected to decline by 8%.
18. A project cost Rs250000 and yields an annual cash inflow of Rs.52000 for 10 years. Calculate its payback period.
19. Explain sound working capital management policy.
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. Explain various types of dividend.

(6×5=30)

Part C

*Answer any **two** questions.*

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

22. A firm has the following capital structure and after tax costs for different sources of funds used.

Sources of Funds	Amount (Rs.)	After tax cost (%)
Debt	15,00,000	5
Preference Shares	12,00,000	10
Equity Shares	18,00,000	12
Retained Earnings	15,00,000	11

• Compute weighted average cost of capital.

23. S Ltd needs Rs.50,00,000 for an new expansion project. The new expansion project expects an EBIT of Rs.12,00,000. The company proposes to raise funds using any of the following alternatives.

1. Issue 50,000 equity shares of Rs.100 each.
2. Issue 20,000 equity shares of Rs.100 each and 30,000 10% debentures of Rs.100 each.
3. Issue 25,000 10 % preference shares of Rs.100 each and 25,000 10% debentures of Rs.100 each.
4. Issue 50,000 12 % debentures of Rs.100 each.

Suggest the company which alternative is suitable and maximize the EPS. Assume tax rate at 50%. The company's existing capital structure consists of 50,000 equity shares of Rs.100 each.

24. Discuss briefly the net present value method and state its merits in evaluating capital expenditure.

25. From the following information you are required to estimate the net working capital;

1. Raw materials Rs. 400 per unit
2. Direct Labour Rs. 150 per unit
3. Overheads (excluding depreciation) Rs. 300 per unit
4. Total cost Rs. 850 per unit
5. Selling Price Rs. 1000 per unit
6. Output 52,000 units per annum



7. Raw materials are expected to remain in stores for an average period of 4 weeks.
8. Materials will be in process, on averages 2 weeks. (Assume 50 % completion stage with full material consumption)
9. Finished goods are required to be in stock for an average period 4 weeks.
10. Credit allowed to debtors is average 8 weeks.
11. Credit allowed by suppliers is average 4 weeks.
12. Cash at bank is expected to be Rs. 50,000
13. Assume that production is sustained at an even pace during the 52 weeks of the year. All sales are on credit basis.

(2×15=30)