

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. - END SEMESTER EXAMINATIONS - APRIL 2025

SEMESTER - VI

20UCOET6002 - Financial Management

Total Duration : 2 Hrs.30 Mins.

Total Marks : 60

Section B

Answer any **SIX** questions ($6 \times 5 = 30$ Marks)

1. Explain the objectives of Financial Management.
2. Project Y has an initial investment of Rs.5,00,000. Its cash flows for 5 years are Rs.1,50,000; 1,80,000; 1,50,000; 1,32,000; 1,20,000. Compute payback period.
3. From the following estimates ,Compute the average amount of working capital required.

	Rs. (p.a)
(a) Average amount locked –up in stocks	
Stock of finished goods & W.I.P	10,000
Stock of Stores, materials,etc.	8,000
(b) Average credit given :	
Local sales : 2 weeks credit	1,04,000
Sales outside the state 6 weeks credit	3,12,000
(c) Time available for payments:	
For purchases : 4 weeks	78,000
For wages : 2 weeks	2,60,000

Add 10% to allow for contingencies.

4. Dupreez Ltd., gives you the following information :

Earning per share : Rs.45

Cost of Capital : 18%

Return on investment : 18%

Compute the market value per share using Gordon's Model, if the payout is

(a) 30% (b) 60% (c) 90% .

5. From the following selected operating data, Compute the operating leverage. Which company has the greater amount of business risk? Why?

	Company A (Rs.)	Company B (Rs.)
Sales	50,00,000	60,00,000
Fixed cost	15,00,000	30,00,000

Variable expenses as a percentage of sales are 50% for firm A and 25% for firm B.

Contd...

6. A job which is presently done entirely by manual method has a labour cost of Rs.46,000 a year. It is proposed to install a machine to do a job which involves an investment of Rs.80,000 and an annual operating cost of Rs.10,000. Assume that the machine can be written off in 5 years on straight line depreciation basis for tax purpose. Salvage value at the end of its economic life is zero. The tax rate is 55%. Solve the economic implication of the proposal by the IRR method.
7. Explain briefly the different sources of working capital.
8. The cost of capital and the rate of return on investment of Rafael Ltd., are 10% and 18% respectively. The company has 5 lakh equity shares of Rs.10 each outstanding and earning per share are Rs.20. Ascertain the market price per share and value of firm in the following situation. Use Walter model and comment on the results.
(i) No retention (ii) 40% retention (iii) 80% retention.

Section C

Answer any **THREE** questions (3 × 10 = 30 Marks)

9. Explain the various functions of a finance manager.
10. Following information is available with regard to the capital structure of Edwards Ltd.,

	Amount (Rs.)	After tax cost of capital (%)
Debentures	12,00,000	5%
Preference share capital	4,00,000	10%
Equity share capital	8,00,000	15%
Retained earnings	16,00,000	12%

You are required to Compute Weighted average cost of capital (WACC).

11. An investment of Rs.10,000 (having scrap value of Rs.500) yields the following returns:

Year	1	2	3	4	5
CFAT	4,000	4,000	3,000	3,000	2,500

The cost of capital is 10%. Is the investment desirable? Ascertain to NPV method assuming the P.V factors for 1st, 2nd, 3rd, 4th and 5th year - 0.909, 0.826, 0.751, 0.683 and 0.620 respectively.

12. Cost sheet of a company provides the following particulars:

Elements of cost

- Raw materials : 40%
- Labour : 10%
- Overheads : 30%

Contd...

The following particulars are also available:

- (i) Raw materials remain in stock for 6 weeks
- (ii) Processing time: 4 weeks
- (iii) Finished goods are in stock for 5 weeks
- (iv) Period of credit allowed to debtors :10 weeks
- (v) Lag in payment of wages : 2 weeks
- (vi) Period of credit allowed by creditors :4 weeks
- (vii) Selling price : Rs.50 per unit
- (viii) Production in units :13,000 p.a

Prepare an estimate of working capital.

13. Ascertain the market price of a share of pollar Ltd., under : (a) Walter's formula and (b) Dividend Growth model from the following data:

Earning per share	Rs.75
Dividend per share	Rs.45
Cost of capital	15%
Rate of return on investment	18%
Retention ratio	40%
