**20UAFCT5016**

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. A&F - END SEMESTER EXAMINATIONS - APRIL 2025
SEMESTER - V
**20UAFCT5016 - 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 role of a financial manager.
2. Enumerate the objectives and importance of Financial Management.
3. Given the following information, you are required to calculate
   a)capitalisation
   b) capital structure
   c) Financial structure

| Liabilities | Amount (₹) |
|---|---|
| Equity share capital | 5,00,000 |
| Preference share capital | 2,00,000 |
| Long term loans and debt | 3,00,000 |
| Retained earnings | 1,20,000 |
| Capital surplus | 80,000 |
| Current Liabilities | 2,00,000 |
| Total | 14,00,000 |

4. Equity share capital Rs.1,00,000
   10% of preference share capital Rs.1,00,000
   8% of debentures Rs.1,25,000
   The present EBIT is Rs.50,000
   Calculate the financial leverage assuming that the company is in 50% tax bracket.
5. A company's cost of equity capital (Ke) is 15%. The average tax rate of shareholders is 40% and the brokerage cost of purchasing of securities is 2%. Calculate the cost of retained earnings.
6. A company issues 10% irredeemable debentures of ₹1,00,000. The company is in the 55% tax bracket. Calculate the cost of debt (before as well as after tax) if debentures are issued at (i) par; (ii) 10% discount, and (iii) 10% premium.

**Contd...**

7. The details regarding three companies are given below:

| **Particulars** | **M Ltd.,** | **J Ltd.,** | **N Ltd.,** |
|---|---|---|---|
| r | 12% | 6% | 8% |
| Ke | 8% | 8% | 8% |
| E | Rs.20 | Rs.20 | Rs.20 |

Calculate the value of an equity share of each of three companies applying Walter's equation when dividend pay-out ratio is
a)0% b) 20%, c) 60%, d)100%

8. A company has the following details for a year:

- Raw Material Inventory = ₹50,000
- Work-in-Progress Inventory = ₹30,000
- Finished Goods Inventory = ₹40,000
- Accounts Receivable = ₹60,000
- Accounts Payable = ₹45,000
- Cash = ₹20,000

Calculate the Net Working Capital (NWC).

## Section C

Answer any **THREE** questions $(3 \times 10 = 30$ Marks)

9. Explain the functions of Financial Management.

10. A firm has sales of Rs.10,00,000: variable cost Rs.7,00,000: Fixed cost of Rs.2,00,000 and Debt of Rs.5,00,000 at 10% rate of interest. What are the operating, financial and combined leverages? If the firm wants to double up its Earning Before Interest and Tax (EBIT) how much rise in sales would be needed on a percentage basis.

11. From the following capital structure of a company, calculate the overall cost of capital, using (a) book value weights and (b) market value weights.

| **Sources** | **Book value** | **Market value** |
|---|---|---|
| Equity share capital (₹10 shares) | ₹45,000 | ₹90,000 |
| Retained Earnings | 15,000 | - |
| Preference share capital | 10,000 | 10,000 |
| Debentures | 30,000 | 30,000 |

The after-tax cost of different source of finance is as follows :
Equity share capital : 14%; Retained Earnings : 13%; Preference share capital : 10% : Debenture capital : 5%.

**Contd...**

12. A chemical company belongs to a risk-class for which the appropriate P/E ratio is 10. It currently has 50,000 equity shares (outstanding) selling at ₹100 each. The firm is contemplating the declaration of dividend of ₹8 per share at the current fiscal year which has just started. Given the assumptions of Modigliani and Miller, answer the following questions :
    (i) What will be the price of the share at the end of the year (a) if dividend is not declared; and (b) if it is declared?
    (ii) Assuming that the company pays dividend, has a net income (Y)of ₹5,00,000 and makes new investments of ₹10,00,000 during the period, how many new shares must be issued?

13. From the following information prepare a statement showing the working capital requirement

| **Analysis of one- rupee sale** | **Per Unit (₹)** |
|---|---:|
| Raw material | 0.30 |
| Direct labour | 0.40 |
| Overheads | 0.20 |
| Total cost | 0.90 |
| profit | 0.10 |
| Sales | 1.00 |

Budgeted sale Rs.2,60,000 p.a. It is estimated that
   a) Raw material are carried in stock for 3 weeks and finished goods for 2 weeks
   b) Factory processing will take 3 weeks
   c) Suppliers will give 5 weeks credit
   d) Customers will require 8 weeks credit.

*****