

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.CA- END SEMESTER EXAMINATIONS - APRIL 2025

SEMESTER - V

21UCCCT5014 - Financial Management

Total Duration : 2 Hrs.30 Mins.

Total Marks : 60

Section B

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

- Rs.2,000 is invested at annual rate of interest of 10%. Compute the amount after two years if compounding is done (a) Annually (b) Semi-annually (c) Monthly
- A company issue 10% irredeemable debentures of Rs.10,000. The company is in 50% tax bracket. Calculate cost of debt capital at par, at 10% discount and at 10% premium
- From the following information relating to companies determine market price of shares using Gordon model.
Total investment in asset Rs.10,00,000
No. of shares 50,000
Total earnings Rs.2,00,000
Cost of capital 16%
Pay out ratio 40%
- What are the different sources of finance available to a business?
- Y Ltd., is planning a machine for ₹1,40,000 which is likely to emanate following earning before depreciation and tax in next five years:

Years	Earnings (₹)
1	50,000
2	55,000
3	60,000
4	62,000
5	65,000

The machine will be depreciated on SLM basis and has salvage value of ₹25,000. The company is subject to tax at the rate of 50%. Should the machine be purchased if the cost of capital is 10%. Evaluate the project applying NPV method.

- What are the key factors that affect a company's decision to pay dividends?

Contd...

7. Kumar company has sales of Rs.25,00,000. Variable cost of Rs.12,50,000 and fixed cost of Rs.50,000 and debt of Rs.12,50,000 at 8% rate of interest. Calculate combined leverage.
8. Briefly discuss the techniques of capital budgeting with their merits and limitations.

Section C

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

9. Examine the role of a financial manager in strategic decision-making.
10. A firm has the following capital structure and after tax costs for the different sources of funds used :

Source of Funds	Amount (Rs.)	Proportion %	After tax cost % h
Debt	40,00,000	20	4.50
Preference Shares	20,00,000	10	9.00
Equity Shares	60,00,000	30	11.00
Retained Earnings	80,00,000	40	10.00
	2,00,00,000	100	

Calculate cost of weighted capital by using book value method.

11. Following information is available in respect of XYZ Limited earnings per share (E) are Rs.10; and the cost of Capital (K) is 10%, find the market price of the share under Walter's model using different rates of return (r), at 8%, 10% and 15% for different payout ratios of 0%, 25%, 50%, 75%, and 100%.
12. Calculate working capital requirements
 - (i) Amount blocked up for stocks: Rs.

Stocks of finished product	5,000
Stocks of stores, materials etc.	8,000
 - (ii) Average credit given;

Inland sales-6weeks credit	3,12,000
Export sales-1½ weeks credit	78,000
 - (iii) Lag in Payments:

Wages 1½ weeks	2,60,000
Stocks materials etc. - 1½ months	48,000
Rent Royalties etc .- 6months	10,000
Clerical staff ½ month	62,400
Manager ½ month	4,800
Miscellaneous Expenses 1 ½ Months	48,000

Contd...

Payment in advance:	Rs.
Sundry expenses (paid quarterly in advance)	8,000
(v) Undrawn profit on the average throughout the year	Rs.11,000
(vi) Add 10% to your computed figures as contingencies.	

13. Initial Investment Rs.2,77,000

Life of the Asset 4 years

Cost of Capital 12%

Estimated net Annual cash Flows:

1st year Rs.60,000

2nd year Rs.80,000

3rd year Rs.120,000

4th year Rs.60,000

5th year Rs.40,000

Calculate NPV and internal rate of return.
