

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. CS - END SEMESTER EXAMINATIONS - NOVEMBER 2025
SEMESTER - III

24UBCCT3008 - 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. Chandra Ltd is expecting an annual EBIT of Rs.2,00,000. The company has Rs.7,00,000 in 10% debentures. The cost of equity capital or capitalisation rate is 12.5%. You are required to calculate the total value of firm. Also ascertain the overall cost of capital
3. The following information relates to Ravi Ltd.
Earnings per share = Rs.9
Interest rate of return = 18%
Cost of capital = 12%
Pay-out ratio = 33.33%
Compute the market price under the Walter's Model
4. Explain the meaning and importance of working capital.
5. Hari Industries Ltd., issues 5,000 12% debentures of Rs.100 each at per. The tax rate is 40% . Calculate before tax and after tax cost debt.
6. Blue Sky Ltd., has an EBIT Rs.2,00,000. The cost of debt is 10% and the outstanding debt is Rs.9,00,000. The overall capitalisation rate (K_o) is 12.5. Calculate the total value firm and equity capitalisation rate.
7. The following information relates to Rose Ltd., Earning per share (EPS) Rs.10 cost of capital (K) =10% Rate of return(r) 15%. Determine the market price per share under the Gordon model, if retention is a) 60% and b) 40%
8. Arul Ltd., is engaged in customer retailing you are required to forecast their working capital requirements from the following information.
 - a) Projected annual sales Rs.6,50,000
 - b) % of N.P to cost of sales 25%
 - c) Average credit allowed to debtors 10 weeks
 - d) Average credit allowed by creditors 4 weeks
 - e) Average stock carrying (in terms of sales requirement) 8 weeks
 - f) Add 20% to allow for contingencies

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Section C

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

9. Explain the function of financial management.
10. From the following particulars relating to the capital structure of Blue Ltd., calculate the overall cost of capital using a) book value weights and b) Market value weights

Source of funds	Book value (Rs.)	Market value (Rs.)
Equity share capital	45,000	90,000
Retained Earnings	15,000	—
Preference share capital	10,000	10,000
Debentures	30,000	30,000

The after tax of different sources of finance is

Equity share capital 14%

Retained earnings 13%

Preference share capital 10%

Debentures 8%

11. Compute the market value of the firm market value of equity and the average cost of capital

Net operating income Rs.3,00,000

Total Investment Rs.15,00,000

Equity Capitalisation rate:

a) If the firm uses on dept 10%

b) If the firm uses a debt of Rs 6,00,000 11%

c) If the firm uses a debt of Rs.9,00,000 12%

The debt of Rs.6,00,000 can be raised at 5% rate of interest while debt of Rs.9,00,000 can be raised at 7%

12. Income statement of S Ltd., is given below

	Rs.
Sales	10,50,000
Variable cost	7,67,000
Fixed cost	75,000
EBIT	2,08,000
Interest	1,10,000
Tax	29,400
Net income	68,600
No.of equity shares	4,000

Calculate (a) Operating leverage (b) Financial leverage (c) Combined Leverage (d) Earning per share (EPS)

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13. Ram wishes to commence a new trading business and gives the following information:

- a) Total estimates sales P.a Rs.6,00,000
- b) His fixed expenses are estimated at Rs.1,000 per month and variable expenses equal to 5% of his turnover.
- c) He expects to fix a sale price for each product which will be 25% in excess of his cost of purchase
- d) He expects to turnover his stock 4 times in a year
- e) The sales and purchase will be evenly spread throughout the year. All sales will be for cash but he expects one month's credit for purchase

Calculate (i) His estimated profit for the year
(ii) His average working capital requirements
