

Roll.No.

23UBICT3005

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

**23UBICT3005 - Financial Management**

Total Duration : 2 Hrs.30 Mins.

Total Marks : 60

### Section B

Answer any **SIX** questions (6 × 5 = 30 Marks)

1. Describe the objectives of financial management.
2. Find the indifference points of the following plans when the corporate tax rate is 50%.
  - a) Issue of 1,00,000 equity shares of Rs.20 per share and
  - b) Issue of 50,000 equity shares of Rs.20 per share and 10% Debentures of Rs.10,00,000.
3. Explain the determinants of dividend policy.
4. From the following information, extracted from the books of a manufacturing company, compute the operating cycle in days and the amount of working capital required:

Period covered	365 days
Average period of credit allowed by suppliers	16 days
	<b>(₹in '000)</b>
Average Total of Debtors Outstanding	480
Raw Material Consumption	4,400
Total Production Cost	10,000
Total Cost Sales	10,500
Sales for the year	16,000
Value of Average Stock maintained:	
Raw Material	320
Work - in - process	350

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5. Determine the average rate of return from the following data of two machine A and B.

	Machine A	Machine B
Original Cost	₹56,125	₹56,125
Addl. Investment in net working capital	5,000	6,000
Estimated life in years	5	5
Estimated salvage value	3,000	3,100
Average income-tax rate	55%	55%
Annual estimated income after depreciation and tax:		
1 <sup>st</sup> year	₹3,375	₹11,375
2 <sup>nd</sup> year	5,375	9,375
3 <sup>rd</sup> year	7,375	7,375
4 <sup>th</sup> year	9,375	5,375
5 <sup>th</sup> year	11,375	3,375
	36,875	36,875

Depreciation has been charged on straight line basis.

6. A company is considering investing in a new machine that costs ₹5,00,000. The machine has a life of 5 years and no salvage value at the end. The expected annual cash inflows from the project are:

Year	Cash Inflows (₹)
1	1,50,000
2	1,20,000
3	1,30,000
4	1,40,000
5	1,50,000

The company's required rate of return is 10%. Calculate the Pay back period.

7. Define Dividend. Outline the importance of dividend policy in a company.
8. From the following calculate operating cycle.  
 Stock holding: Raw material 1 month,  
 WIP = 15 days,  
 Finished goods = 1 month.  
 Debtors collection period = 2 months,  
 Time lag in a payment of bills = 45 days.

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**Section C**

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

9. Ram Ltd., has an equity capital of 6000 shares of Rs.100 each. The company plan to raise Rs.4,00,000 for expansion and modernization. The following alternatives are under considerations.

- a) Issue equity shares
- b) Issue equity shares for Rs.2,00,000 and 10% debt for Rs.2,00,000
- c) Issue of 10% debt
- d) Issue 10% preference share for Rs.2,00,000 and 10% debt for Rs.2,00,000.

The company's existing earnings before interest and tax Rs.4,00,000. The rate of corporate tax is 50%. Determine the Earnings per share of each plan.

10. Examine the various sources of capital and explain how their costs are determined.

11. C.T. Ltd., is considering the purchase of a new machine. Two alternative machines are available, X and Y, each costing Rs.78,000. The cash inflows are expected to be as follows:

S.no.	Machine X (Rs.)	Machine Y (Rs.)
1	35,000	45,000
2	35,000	33,000
3	22,000	22,000
4	12,000	12,000

The company has the expected return on capital of 10%. Which machine should be preferred under NPV method.

12. Evaluate the different types of dividends with suitable examples.

13. Elements of cost

Raw Materials : 40%, Labour : 10%, Overheads : 30% . The following particulars are also available:

- i) Raw materials in stock 6 months
- ii) Processing time 4 weeks
- iii) Finished goods in stock 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 periods Rs.50 per unit
- viii) Production in units 13,000 p.a.

Construct an estimate of working capital.

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