Roll.No.

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 - NOVEMBER 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 objectives of financial management.

2. Bharati Ltd., expects an annual EBIT of Rs.1,00,000. The company has Rs.4,00,000 in 10% debentures. The equity capitalisation rate is 12.5%. The company proposes to issue additional equity shares of Rs.1,00,000 and use the proceeds for redemption of debentures of Rs.1,00,000. Calculate the value of firm and the overall cost of capital.

3. A company issues Rs.10,00,000, 13% Debentures at a discount of 5%. The debentures are redeemable after 5 years at a premium of 5%. Calculate before tax and after tax cost of debt, if the tax rate is 50%.

4. From the following balance sheet compute
   a) Gross working capital
   b) Net working capital

Balance Sheet

Liabilities	**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
Share capital	6,00,000	Fixed assets	7,00,000
Reserves	1,00,000	**Current assets:**	
Debentures	3,00,000	Cash	60,000
Current liabilities:		Investments	1,00,000
Bank loan	1,00,000	Debtors	1,40,000
Creditors	60,000	Inventory	2,00,000
Bills payable	40,000		
	12,00,000		12,00,000

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5. Calculate the operating leverage, financial leverage and the combined leverage for the following firms and interpret the result

	P	Q	R
Output (units)	3,00,000	75,000	5,00,000
Fixed cost (Rs.)	3,50,000	7,00,000	75,000
Variable cost per unit (Rs.)	1	7.50	0.10
Interest expenses (Rs.)	25,000	40,000	—
Unit selling price (Rs.)	3	25	0.50

6. Discuss the different sources of finance.

7. Anita Ltd., has 50,000 equity shares of Rs.10 each outstanding on January 1. The shares are currently quoted at Rs.20 in the market. The company intends to pay a dividend of Rs.2 per share for the current year. Its capitalisation rate is 15%. Using MM model and assuming no taxes, ascertain the price of the company's share.
A) When dividend is not declared B) When dividend is declared

8. Kamath Ltd., is engaged in customer retailing. You are required to forecast its working capital requirements from the following information.

Projected annual sales	Rs. 6,50,000
Percentage of N.P on cost of sales	25%
Average credit allowed to debtors	10 weeks
Average credit allowed by creditors	4 weeks
Average stock carrying (in terms of sales requirements)	8 weeks

Add 20% to allow for contingencies.

Section C

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

9. "Liquidity and profitability are competing goals for the finance managers" – Comment.

10. Raj Ltd., has equity capital of 6,000 share of Rs.100 each. The company plans to raise Rs.4,00,000 for expansion and modernization. The followings alternatives are under consideration.
   a) Issue of common stock
   b) Issue of common stock of Rs.2,00,000 plus 10% Debt for Rs.2,00,000
   c) Issue of Debt 10%
   d) Issue of 10% preference shares for Rs.2,00,000 and 10% debt for Rs.2,00,000

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

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11. A firm issues debentures of Rs.1,00,000 and realises Rs.98,000 after allowing 2% commission to brokers. Debentures carry interest rate of 10%. The debentures are due for maturing at the end of 10^{th} year at par. Tax rate is 55%. Calculate cot of debt before tax and after tax.

12. Following particulars relate to the three companies

A Ltd.,	B Ltd.,	C Ltd.,
r = 15%	r = 10%	r = 5%
ke = 10%	ke = 10%	ke = 10%
E = Rs.8	E = Rs.8	E = Rs.8

Using Walter's model, calculate the value of equity share of each of these companies, if the dividend payout ratio is a) 25% b) 50% c) 75%.

13. Chander Ltd wants an estimate of the working capital. Prepare the estimate from the following information
Budgeted sales Rs.10 per unit – Rs.2,60,000 per annum. Analysis of selling price per unit;
Raw materials – Rs.3; Labour Rs.4; Overheads – Rs.2; You are informed that:
    a) Raw materials will remain in godown before issue of three weeks and finished goods for two weeks.
    b) Processing in the factory will take three weeks.
    c) Suppliers will give 5 weeks credit and customers will acquire 8 weeks credit.
    d) Labour and overheads will acquire evenly throughout the year.
    e) Provision for contingencies is 10%

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