Roll.No. 24UBHCT5019

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.Honours - END SEMESTER EXAMINATIONS - NOVEMBER 2025
SEMESTER - V
24UBHCT5019 - Financial Management

Total Duration : 2 Hrs. 30 Mins. Total Marks : 60

Section B

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

1. List out the objectives of Financial Management.
2. 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%. Compute before tax and after tax cost of debt, if the tax rate is 50%.
3. Project X has an initial investment of Rs.5,00,000. Its cash flow for 5 years are Rs.1,50,000; Rs.1,80,000; Rs.1,50,000; Rs.1,32,000 and Rs.1,20,000. Apply the payback period.
4. A firm has a sales of Rs.20,00,000. Its variable cost is Rs.14,00,000 and fixed cost Rs.4,00,000 and debt is Rs.10,00,000 at 10% rate of interest. Compute the leverages.
5. Elucidate the classification of working capital.
6. XY Ltd., has an EBIT of Rs.1,00,000. Its cost of debt is 10% and the outstanding debt amounts to Rs.4,00,000. The overall capitalisation rate is 12.5%. The company decides to raise a sum of Rs.1,00,000 through debt at 10% and uses the Proceeds to pay off the equity shareholders. You are required to compute the total value of the firm and also the equity capitalisation rate.
7. Compute Accounting Rate of Return
   Profit before depreciation and tax Rs.2,00,000
   Depreciation 10% on Rs.4,50,000
   Tax Rate 50%
8. A Ltd Co. has the following details:
   r=15%, Ke=10%, E=Rs.8.
   Ascertain the value of an equity share when dividend payment ratio is 50%. Under Walter's approach.

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Section C

I - Answer any **TWO** questions $(2 \times 10 = 20$ Marks)

9. Explain the functions of financial management.

10. From the following particulars relating to the capital structure of Bluestar Ltd; solve 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 cost of difference sources of finance is equity, share capital 14%. Retained earnings 13%, Preference share capital 10%. Debentures 8%

11. From the following estimates, ascertain the average amount of working capita1 required

    a) Average amount locked up in stock:

       Stock of finished goods and WIP Rs.10,000

       Stock of stores, materials etc. Rs.8,000

    b) Average credit given:

       Local sales 2 weeks credit Rs.1,04,000

       Outside the state 6 weeks credit Rs.3,12,000

    c) Time available for payments:

       For purchases 4 weeks Rs.78,000

       For wages 2 weeks Rs.2,60,000

    d) Add 10% to allow for contingencies

12. The cost of capital and the rate of return on investment of K.J.Ltd are 10% and 15% respectively. The company has one million equity shares of Rs.10 each outstanding and earnings per share are Rs.5. Evaluate the value of the firm in the following situations, use walter's model and comment on the results.

    a) 100% retention

    b) 50% retention

    c) No retention

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II - Compulsory question $(1 \times 10 = 10$ Marks)

13. Case:Eco Brew Pvt., Ltd., a coffee manufacturer, plans to launch a new eco-friendly coffee machine. The project costs ₹10,00,000 and is expected to generate the following net cash inflows:

Year	**Expected Cash Inflows (₹)**
1	3,00,000
2	3,50,000
3	4,00,000
4	2,50,000
5	2,00,000

The firm's required rate of return is 12%.
Tasks:
1. Ascertain the Payback Period.
2. Solve the Accounting Rate of Return (ARR) (Assume average investment = ₹5,00,000).
3. Recommend whether the project should be accepted.

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