

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. PA - END SEMESTER EXAMINATIONS - NOVEMBER 2025
SEMESTER - V

21UPACT5013 - 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. A firm requires total capital funds of Rs.50 lacs and has two options. All equity and half equity 15% debt. The equity shares can be currently issued at Rs.100 per share. The expected EBIT of the company is Rs.5,00,000 with tax rate at 40%. Find out the EPS under both the financial mix.
3. 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 maturity at the end of 10th year at par. Calculate cost of debts.
4. State the Formula for working Capital.
5. Ranga 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. Compute the Value of Firm (V) and the Overall Cost of Capital (K_o)
6. The Shares of a steel Company are quoted at Rs.42 Per Share. The Firm paid a dividend of Rs.4 per Share last year. The Expected growth in dividends is 5% Per Annum.
 - i) Compute the Cost of equity Capital of the Company.
 - ii) Compute the Market Price of the equity Shares, if the anticipated growth rate of the firm Rises to 8% b) Falls to 3%
7. Compute operating leverage for Maruti Ltd., from the following information:
No. of units produced 50,000
Selling price per unit Rs.50
Variable cost per unit Rs.20
Fixed cost per unit at current level of sales is Rs.15
What will be the new operating leverage. If the variable cost is Rs.30 per unit

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8. Peerless Ltd., is engaged in Customer retailing. You are required to forecast their working Capital requirements from the following information:

Projected Annual Sales	Rs.6,50,000
% of Net Profit to 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 requirement)	8 Weeks
Add 20% to allow for Contingencies	

Section C

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

9. Explain in detail the functions of Financial Management.
 10. The following is the Balance sheet of ITC Ltd.,

Particulars	Amount Rs.	Particulars	Amount Rs.
Equity Capital (10 Per Share)	60,000	Net Fixed Assets	1,50,000
10% Long Term Debt	80,000	Current Assets	50,000
Retained Earnings	20,000		
Current Liabilities	40,000		
	2,00,000		2,00,000

The Company's Total Assets turnover ratio is 3. Its Fixed Operating Cost is Rs.1,00,000 and Variable Operating Cost ratio is 40%. The Income Tax Rate is 50%.

- a) Calculate all the three types of Leverages
 b) Determine the Likely EBIT if EPS is
 i) Re.1 ii) Rs.3 iii) Zero
 11. A Company was recently formed to manufacture a new product. It has the following Capital Structure:

Particulars	Amount Rs.
9% Debentures	10,00,000
7% preference Shares	4,00,000
Equity Shares (48,000 Shares)	16,00,000
Retained Earnings	10,00,000
	40,00,000

The Market price of Equity Shares is Rs.80. A Dividend of Rs.8 Per Share is Proposed. The Company has Marginal Tax Rate of 50% and Shareholder's individual tax rate is 25%. Compute after tax weighted average Cost of Capital of the company.

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12. From the following information extracted from the books of a manufacturing company. Compute the operating cycle in days.

Period covered	: 365 days
Average period allowed by Suppliers	: 16 days
	₹
Average total of debtor outstanding	4,80,000
Raw Material consumption	44,00,000
Total Production Cost	1,00,00,000
Total Cost of goods sold	1,05,00,000
Sales for the year	1,60,00,000
<u>Value of Average Stock maintained</u>	
Raw Material	3,20,000
Work-in-progression	3,50,000
Finished Goods	2,60,000

13. Godrej Company Sells goods in the home Market and earns a gross profit of 20% on Sales. Its annual figures are as follows:

Particulars	Rs.
Sales	3,00,000
Materials Used	1,08,000
Wages	96,000
Manufacturing Expenses	30,000
Administrative Expenses	1,20,000
Depreciation	12,000
Selling Expenses	18,000
Income Tax payable in Two Instalments of which one falls in the next year	30,000

Additional Information:

1. Credit given by Suppliers-2 Months
2. Credit allowed to Customers – 1 Month
3. Lag in Payment of wages – ½ month
4. Lag in payment of Administrative Expenses – 1 Month
5. Selling expenses are paid quarterly in advance
6. Raw materials and finished goods are in stock for 1 Month
7. Cash Balance estimated to be maintained at Rs.30,000

You are required to prepare a Statement of working Capital Requirements.
