

Roll.No.

21UCCCT5014

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

**21UCCCT5014 - 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. The following information relates to Vignesh Ltd. Earnings per share Rs.9; Internal rate of return 18%; Cost of capital 12%; Payout ratio 33.33%. Compute the market price under the Walter's model.
3. Peerless Ltd., is engaged in customer retailing. You are required to prepare the working capital requirements from the following information:

Projected annual sales Rs.6,50,000

Percentage 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

4. Explain the advantages of capital budgeting?
5. A company's cost of equity capital ( $k_{\{e\}}$ ) 15%. The average tax rate of shareholders is 40% and the brokerage cost for purchase of securities is 2%. Compute the cost of retained earnings.
6. The following information relates to a company.

Earnings per share ( $\text{€}$ ) = Rs.8

Dividend payout ratio = 50%

Cost of equity ( $k_e$ ) = 10%

ROI on investment ( $r$ ) = 12%

Compute price per share using Gordon's Model.

**Contd...**

7. A company was recently formed to manufacture a new product. It has the following capital structure

	Rs.
(i) 9% Debentures	10,00,000
(ii) 7% Preference Shares	4,00,000
(iii) Equity Shares (48,000 Shares)	16,00,000
(iv) Retained earnings	10,00,000

The market price of equity shares is Rs.80. A dividend of Rs.8 per share is proposed. The company has an marginal tax rate of 50% and the shareholders' individual tax rate is 25%. Compute after tax weighted average cost of capital of the company.

8. A project costs Rs.2,50,000 and yields an annual cash inflow of Rs.50,000 for 7 years. Ascertain its pay-back period.

### Section C

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

9. Explain the various functions of a finance manager.

10. Two firms 'L' and 'U' are identical in all respects except for the debt equity mix. Firm 'L' has issued 12% debentures of Rs.15,00,000. Firm U has no debt. Both L and U earn 30% before interest and taxes on their total assets of Rs.20,00,000. The tax rate is 50% and equity capitalisation rate is 20%. Compute the value of both firms using Net Income Approach

11. Normal Ltd. gives you the following information:

EPS	= Rs.12
Cost of capital (K)	= 10%
Return on investment	= (r) = 10%

Ascertain the market price per share using Gordon's model, if the payout is (a) 25% (b) 50% (c) 75%.

12. Godrej company sells goods in the home market and earns a gross profit of 20% on sales. Its annual figures are as follows. Sales Rs.3,00,000; Materials used Rs.1,08,000, Wages Rs.96,000; Manufacturing expenses Rs.30,000; Administrative expenses Rs.1,20,000; Depreciation Rs.12,000; Selling expenses Rs.18,000.

Additional Information:

- (a) Credit given by suppliers 2 months
- (b) Credit allowed to customers 1 month

**Contd...**

- (c) Lag in payment of wages 1/2 month
- (d) Lag in payment of administrative expenses 1 month.
- (e) Selling expenses are paid quarterly in advance.
- (f) Raw materials and finished goods are in stock for 1 month.
- (g) Cash balance estimated to be maintained at Rs.30,000.

You are required to prepare a statement of working capital requirement.

13. An investment of Rs.10,000 (having scrap value of Rs.500) yields the following returns :

Year	1	2	3	4	5
CFAT	4000	4000	3000	3000	2500

The cost of capital is 10%. Is the investment desirable? Discuss it according NPV method assuming the P. V. factors for 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> year. -0.909, 0.826, 0.751, 0.683 and 0.620 respectively.

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