21101657

QP CODE: 21101657

Reg No : ....

Name : ....

B.COM DEGREE (CBCS) SPECIAL SUPPLEMENTARY REGULAR / PRIVATE EXAMINATION, JULY 2021

Fifth Semester

CORE COURSE - CO5CRT16 - FINANCIAL MANAGEMENT

Common for B.Com Model I Finance and Taxation, B.Com Model I Co-operation, B.Com Model I Computer Applications, B.Com Model I Marketing & B.Com Model I Travel and Tourism

For Regular Candidates 2018 Admission Only,
For Private Candidates 2017 & 2018 Admissions Only

A25C33A6

Time: 3 Hours | Max. Marks : 80

Part A

Instructions to Private candidates only: *This question paper contains* ***two sections****. Answer* ***SECTION I*** *questions in the answer-book provided.* ***SECTION II****, Internal examination questions must be answered in the question paper itself. Follow the detailed instructions given under* ***SECTION II***

SECTION I

Answer any ***ten*** *questions.*

Each question carries ***2*** *marks.*

1. State the interrelationship between different financial decisions.
2. Z Ltd decided to issue 13% debentures for Rs 75,000/- at a discount of 8%. What would be the cost of debt capital if the tax rate is 7%.
3. Probem Ltd issues 25000, 16% preference shares of Rs 150/- each. Cost of issue is Rs 2per share. Calculate cost of preference capital if the shares are issued at a premium of 13%.
4. What is liquidity?
5. What do you mean by Financial risk?
6. What is Capital Rationing?
7. What is Internal Rate of Return?
8. Why working capital is known as circulating capital?

9. From the following calculate Net Working Capital
Cash: Rs. 1,00,000, Cash at bank Rs. 50,000, Debtors: Rs. 25,000,Interest free credits: Rs. 20,000, Bank overdraft: Rs 80,000, and short term loans: Rs. 20,000.

10. What is meant by retained earnings?

11. Define dividend decision.

12. What do you mean by consolidation of shares? Give example.

(10×2=20)

Part B

*Answer any **six** questions.*

*Each question carries **5** marks.*

13. Mr.Anand will receive Rs.50,000 after 5 years. Determine the present value of the amount assuming that the interest rate is 10% per annum.

14. A firm is currently earning Rs.100,000 and its share is selling at a market price of Rs. 80.The firm has 10,000 shares outstanding and has no debt. The earnings of the firm are expected to remain stable, and it has a payout ratio of 100 per cent. What is the cost of equity? If the firm's payout ratio is assumed to be 60 per cent and it earns 15 per cent rate of return on its investment opportunities, then what would be the firm's cost of equity?

15. Tam Ltd issued 300000, Rs 15 equity shares, with expectation of payment of dividend at the rate of 25% per share after three years. The issuing expenses are estimated at 4% of its face value. The company earned a profit of Rs 75000/- and decided to retain 3/5 of its profits for future capital need. Compute cost of retained earnings, assume the brokerage is 2% of its face value and investment cost including underwriting commission is 4% of the issue price.

16. Analysis of operating leverage helps the financial mangers to take wise decision on capital structure and profit planning. Explain

17. The analysis of Wim Ltd shows that the company has EBIT Rs 850000/- , Contribution Rs 225000/- and interest Rs 35000/-. Calculate percentage change in EPS when the sales are expected to decline by 8%.

18. Calculate the annual rate of return of a project involving an investment of Rs.1500000.The invstment had an estimated life of 10 yearsand a scap value of Rs.100000.The annual cash flowsafter tax and depreciation is given below. First Year : Rs.20000, Second Year : Rs.20000, Third Year : Rs.40000, Fourth Year : Rs.50000, Fifth Year : Rs.70000

19. Explain how operating cycle method helps in estimating working capital requirement.

20. Explain Operating Cycle Method.

21. What are the disadvantages of issue of bonus shares?

(6×5=30)

Part C

*Answer any **two** questions.*

*Each question carries **15** marks.*

22. A firm has the following capital structure and after tax costs for different sources of funds used

Sources of Funds	Amount (Rs.)	After tax cost (%)
Debt	15,00,000	5
Preference Shares	12,00,000	10
Equity Shares	18,00,000	12
Retained Earnings	15,00,000	11

Compute weighted average cost of capital.

23. Jindal Ltd needs Rs 800000/- for its expansion. The following three financial plans are feasible. A) The company may issue 80000 equity shares at Rs 10 each. B) Company may issue 40000 ordinary shares at Rs 10 each and 4000, 12% debentures of Rs 100 each. C) it may issue 25000 equity shares of Rs 10 each, 5500 preferences shares of Rs 100 each bearing 13% interest rate. If the company's earnings before interest and taxes are Rs 25000/-, Rs 75000/- and Rs 125000/- What are the earning s per share under each of the three financial plans? Which plan would you recommend and Why?

24. A project requires an outlay of Rs.32400.its estimated economic life is 3 years.The cash streams generated by it are expected to be as follows.
Estimated Annual cash flows are First Year : Rs.16000, Second Year : Rs.14000, Third Year : Rs.12000 .
Compute IRR.If the cost of capital to the firm is 12%,advise the management whether the project should be accepted or rejected.

25. Define Working Capital Management. Explain various sources of Working Capital.

(2×15=30)