QP CODE: 21100108

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Reg No : ....

Name : ....

B.COM DEGREE (CBCS) EXAMINATION, FEBRUARY 2021

Fifth Semester

Core Course - CO5CRT16 - FINANCIAL MANAGEMENT

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

2017 Admission Onwards

A17EBAF2

Time: 3 Hours

Max. Marks : 80

Part A

*Answer any **ten** questions.*

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

1. What do you mean by Wealth maximisation?
2. A Ltd issued 10000, 8% Preference shares of Rs 300/- each. Calculate cost of capital if the issue is at a premium of 10%.
3. X Ltd issued 8% 10,000 redeemable preference shares of Rs. 100 each at par. The preference shares are redeemable after 5 years. Compute the cost of preference share capital.
4. Gim Ltd made an issue of 100000, Rs 10 equity shares , with expectation of payment of dividend at the rate of 15% per share after two years. The issuing expenses are estimated at 2% of its face value. The company earned a profit of Rs 25000/- and decided to retain ¼ of its profits for future capital need. Compute cost of retained earnings; assume the brokerage is 2% of its face value.
5. What are the factors related with business risk?
6. What is Accounting Rate of Return?
7. What is the decision rule in IRR method?
8. what do you mean by cash forecasting method?
9. Explain redundant working capital?
10. What do you mean by scrip?
11. What do you mean by constant dividend per share?
12. What do you mean by reverse stock split? Give example.

(10×2=20)

Part B

*Answer any **six** questions.*

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

13. Why is time value of money considered as a central concept in Financial management?

14. Xavier Ltd issues equity share of Rs 150 each a t a premium of 25% floatation cost including underwriting commission is 10% of the issue price. The company expects to pay the initial dividend of Rs 25 per share and it has been estimated that the dividend rate will grow by 8%. Compute cost of equity.

15. Earnings per share is equal to zero is a critical point in capital structure planning – Analyze the statement.

16. Alpha Ltd needs Rs.40,00,000 for an new expansion project. The new expansion project expects an EBIT of Rs. 24,00,000. The company proposes to raise funds using any of the following alternatives.

    1. Issue 50,000 equity shares of Rs.100 each.
    2. Issue 25,000 equity shares of Rs.100 each and 25,000 10% debentures of Rs.100 each.

    Suggest the company which alternative is suitable and maximize the EPS. Assume tax rate at 50%. The company's existing capital structure consists of 50,000 equity shares of Rs.100 each.

17. Lal Ltd issues Rs 50000/- 14%redeemables debentures at a discount of 8%. The cost of floatation is 3%. The debentures are redeemable after 8 years. Calculate before tax and after tax cost assuming a tax rate of 30%.

18. What is the significance of capital budgeting?

19. From the following information , Calculate Working Capital requirements:

Budgeted sales	Rs. 6,50,000
Percentage of Net profit on Cost of sales	25%
Average credit allowed to customers	10 weeks
Average credit allowed by suppliers	4 weeks
Average stock Carrying	8 weeks

20. From the following information extracted from the books of a manufacturing concern compute the working capital operating cycle.

    Average credit period allowed by suppliers-16 days, Average total of debtors outstanding-Rs.4,80,000, Raw material consumption- Rs.44,00,000, Total production cost- Rs. 1,00,00,000, Total cost of sales - Rs. 1,05,00,000, Sales for the year Rs. 1,60,00,000, Average stock of raw materials Rs.3,20,000, Average stock of work- in –progress Rs. 3,50,000, Average stock of finished goods Rs.2,60,000.

21. What do you mean by bonus shares and explain the advantages of bonus issue to the shareholders.

(6×5=30)

Part C

*Answer any **two** questions.*

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

22. The capital structure of ZTM Ltd consist of equity shares of Rs 500000/- , 15% preference shares of Rs 300000/- and 13% debentures of Rs 250000/-. The cost of equity capital of the company is 12.5% and income tax rate is 20%. Calculate cost of capital of the company.

23. The selling price per products of Qqick Ltd is Rs 250/-, variable cost per unit Rs 85/-, Fixed cost Rs 450000/-. What is operating leverage when Quick Ltd produces and sells 10000 units? What is the percentage change that will occur in the EBIT of Quick Ltd if output increases by 6%?

24. Discuss various aspects of cash flow determination.

25. A proforma cost sheet of a company provides the following particulars;

Elements of Cost	Percentage
Material	40%
Direct Labour	20%
Overheads	20%

The following further particulars are available:

(a) It is proposed to maintain a level of activity of 2,00,000 units.

(b) Selling price is Rs. 12/- per unit.

(c) Raw materials are expected to remain in stores for an average period of one month.

(d) Materials will be in process, on averages half a month.

(e) Finished goods are required to be in stock for an average period of one month.

(f) Credit allowed to debtors is two months.

(g) Credit allowed by suppliers is one month.

You may assume that sales and production follow a consistent pattern. You are required to prepare a statement of working capital requirements.

(2×15=30)