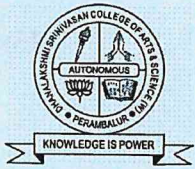


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**DHANALAKSHMI SRINIVASAN COLLEGE
OF ARTS & SCIENCE FOR WOMEN
(AUTONOMOUS)**

(For Candidates admitted from 2018-2019 onwards)



UG DEGREE EXAMINATIONS APRIL – 2021

B.COM CA – COMMERCE WITH COMPUTER APPLICATIONS

FINANCIAL MANAGEMENT

Time: 3 Hrs

Max.Marks: 75

Part – A

CHOOSE THE CORRECT ANSWER.

(10*1=10)

1. Financial management process deals with
 - a) Investments
 - b) Financing decisions
 - c) Both a and b
 - d) None of the above
2. Agency cost consists of
 - a) Binding
 - b) Monitoring
 - c) Opportunity and structure cost
 - d) All of the above
3. Finance Function comprises
 - a) Safe custody of funds only
 - b) Expenditure of funds only
 - c) Procurement of finance only
 - d) Procurement & effective use of funds
4. _____ is called as Dividend Ratio Method.
 - a) Debt Equity Method
 - b) Dividend Yield Method
 - c) Equity Method
 - d) Asset Method
5. $K_e = \text{DPS}/\text{MP} \times 100$, is used for –
 - a) Reserve
 - b) Calculating capital structure
 - c) Depreciation
 - d) Calculating Cost of Equity Share Capital
6. Which of the following is Capital Employed ?
 - a) Cash + Bank
 - b) Assets + Cash
 - c) Shareholders Funds + Long Funds
 - d) All of the above
7. The formula used to calculate current ratio is _____.
 - a) Current liabilities / Current assets
 - b) Current assets / Current liabilities
 - c) Inventory / Current liabilities
 - d) Current liabilities / Inventory
8. _____ is an example of fixed asset.
 - a) Value stock
 - b) Live stock
 - c) Income stock
 - d) None of these
9. Current assets are also referred to as _____.
 - a) Inventory
 - b) Working capital
 - c) Livestock
 - d) Investments.

10. Which of the following is short term Sources ?

- a) Bank Credit b) Public Deposit c) Commercial Paper d) All of the above

PART – B

ANSWER ALL THE QUESTIONS

(5*7=35)

11. a) Explain the functions of Financial Management.

(OR)

b) What are the factors affecting financial planning ?

12. a) Mr.K expects to receive an annuity of Rs. 5000 for 3 years. His time Preference rate is 10%. Calculate the present value of annuity.

(OR)

b) What are the factors determining working capital needs?

13. a) P Company issues 1000, 10% redeemable preference share of Rs. 100 each at 5% discount. Calculate cost of preference capital.

(OR)

b) XYZ Ltd issues Rs. 1,00,000 debenture at 8% interest rate. The corporate tax is 50%. Compute cost of debt capital.

14. a) From the following Information calculate operating leverage.

Production and sales	-	30000 units
Selling price per unit	-	Rs. 20
Variable cost per unit	-	Rs. 10
Fixed cost per unit at current level of costs	-	Rs. 5

(OR)

b) From the following data, determine the market price per share as per Walter's model.

Earnings per share	-	Rs. 30
Cost of Capital	-	13%
Return on Investment	-	16%
Dividend payout ratio	-	40%

15. a) Kannan Ltd. is expecting an annual EBIT of Rs.2,00,000. The company has Rs. 7,00,000 in 10% debentures. The cost of equity capital or capitalisation rate is 12.5%. You are required to calculate the total value of the firm. Also ascertain the overall cost of capital.

(OR)

b) Explain the various kinds of Leverage.

PART – C

ANSWER ANY THREE QUESTIONS

(3*10=30)

16. What are the factors determining capital structure ?

17. From the following Information calculate the average amount of working capital requirement,

(a) Average amount of stock :	Rs.
Stock of finished goods	10,000
Stock of materials	8,000
(b) Average credit period :	
Local sales - (2 weeks credit)	1,04,000
Outside sales - (6 weeks credit)	3,12,000
(c) Time lag in payment :	
For purchase - (4 weeks)	78,000
For wages - (2 weeks)	2,60,000

Add 10% to allow for contingencies.

18. Determine the market price per share under Gordon's model.

Earnings per share Rs. 10

Capitalisation rate 10%

Retention ratio 40%

If the internal rate of return is

- a. 15%
- b. 10%
- c. 5%

19. Makizh Company consists of 1000 equity shares at Rs. 100 each. Debt amounted Rs. 50,000 at 7% interest rate per annum and 200, 6% Preference Capital. Expected EBIT is Rs.50, 000. Corporate tax is 40%. Calculate EPS.

20. 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%. Calculate before tax and after tax cost of debt, if the tax rate is 50%`s