SUB.CODE: 18UCOA6C13

REG.NO: | | | | | | | | | | |

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. Ke = DPS/MP x 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
Varriable 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,

		Rs.
(a) Average amount of stock :		
	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%

    Retension 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. Debit 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