QP CODE: 25007820

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Reg No : ....

Name : ....

B.COM DEGREE (CBCS) SPECIAL REAPPEARANCE EXAMINATIONS, FEBRUARY 2025

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

2022 Admission Only

601B5F1B

Time: 3 Hours Max. Marks : 80

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

Part A

*Answer any **ten** questions.*

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

1. What do you mean by Business Finance?
2. Explain the term “Financial Risk premium”.
3. PQR Ltd. issues 50000, 11 % debentures of Rs.100 each at par.The commission payable to underwriters and brokers is 5% and the tax rate applicable to the company is 50%. Compute cost of debt.
4. How capital structure is different from financial structure?
5. What is leverage?
6. Define Payback method.
7. What is Profitability Index Method?
8. "Financing working capital from short-term sources exposes a firm to more risk" Examine.
9. From the following information you are required to calculate expected working capital requirement using operating cycle method.

   Operating cycle 15 days

   Cost of goods sold 12,00,000

   Minimum desired level of cash to be maintained 18,750

Assume 360 days in a year

10. What is meant by final dividend?

11. What do you mean by optimum dividend policy?

12. What do you mean by bonus shares?

(10×2=20)

Part B

*Answer any **six** questions.*

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

13. Explain the scope of Financial management.

14. How debentures are different from bonds? Explain with examples.

15. A company issues 22000, 13.5% preference shares of Rs 350 each redeemable after 9 years. The floatation cost are estimated at Rs 32000/- compute cost of capital if the issue is A) at par B) at 8% premium C) at 8% discount.

16. Dens Ltd issued 7500 shares of Rs 50 each and expects to pay dividend of 25%. The issue expenses are 2.5% of the issue price. Compute cost of equity, if shares are issued at par, issue at premium of 9% and at discount of 8%.

17. Beta Ltd needs Rs.60,00,000 for an new expansion project. The new expansion project expects an EBIT of Rs. 14,00,000. The company proposes to raise funds using any of the following alternatives.

    a. Issue 60,000 equity shares of Rs.100 each.
    b. Issue 20,000 equity shares of Rs.100 each and 40,000 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.

18. Discuss the factors affecting capital budgeting.

19. What are the sources used for financing temporary requirement of working capital?

20. From the following data prepare Working Capital forecast:

Budgeted Sales(Rs.20 per unit)	Rs.5,20,000
Analysis of one rupee sales:	Rs
Raw Material	0.30
Labour	0.40
Overheads	0.10
Profit	0.10

Sales	1.00

It is estimated that:

1. Raw materials are kept in stock for 3 weeks and finished goods for 2 weeks.
2. Factory processing will take 3 weeks.
3. suppliers will give 5 weeks credit and customers will require 8 weeks credit.

It may be assumed that wages and overheads accrue evenly throughtout the year.

21. Distinguish between bonus shares and stock split.

(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. S Ltd needs Rs.50,00,000 for an new expansion project. The new expansion project expects an EBIT of Rs.12,00,000. The company proposes to raise funds using any of the following alternatives.

    1. Issue 50,000 equity shares of Rs.100 each.
    2. Issue 20,000 equity shares of Rs.100 each and 30,000 10% debentures of Rs.100 each.
    3. Issue 25,000 10 % preference shares of Rs.100 each and 25,000 10% debentures of Rs.100 each.
    4. Issue 50,000 12 % 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.

24. A company has two investment projects X and Y for consideration. Both the projects cost Rs.15,00,000 each. Estimated life of project X is 8 years with an annual earning of Rs. 2,00,000 after depreciation and tax.Estimated life of project Y is 8 years with an annual earnings of Rs.90,000 after depreciation and tax. Advise the company as to which project should be accepted? Present Value of an annulty of Rs.1 at 15% for 5 years is 3.352 and for 8 years is 4.48.

25. Explain working capital management. What are the factors that affect working capital requirements?

(2×15=30)