

22U548

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Name:

Reg. No:

FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2024

(CBCSS - UG)

(Regular/Supplementary/Improvement)

CC19U BCM5 B11 – FINANCIAL MANAGEMENT

(Commerce: Finance - Core Course)

(2019 Admission onwards)

Time: 2.5 Hours

Maximum: 80 Marks

Credit: 4

Part A (Short answer questions)

Answer *all* questions. Each question carries 2 marks.

1. What is wealth maximisation?
2. What is systematic risk?
3. What is capital structure?
4. What is capital structure planning?
5. What is operating leverage?
6. What is cost of capital?
7. What is cost of retained earnings?
8. What is overall cost of capital?
9. What is Profitability Index (PI)?
10. A project requires an initial investment of Rs. 40,000 and it is estimated to generate a cash inflow of Rs. 5,000 per year for 10 years. Calculate the payback period.
11. Define Float.
12. What is speculative motive of holding cash?
13. What is bond dividend?
14. What is Regular Dividend Policy?
15. What is irrelevance theory of dividend?

(Ceiling: 25 Marks)

Part B (Paragraph questions)

Answer *all* questions. Each question carries 5 marks.

16. What is financial management? State the importance of financial management.
17. Distinguish between operating leverage and financial leverage. How are they measured?

18. Kotak Ltd issued 10000, 10% debentures of Rs.100 each on 1-04-2010 to be matured on 01-04-2015. If the market price of the debenture is Rs. 80. computer cost of debt, assuming 35 % tax rate.

19. What are the Advantages and disadvantages of Preference Shares?

20. There are two project A and B. each involves an investment of Rs.1,00,000. The expected cash inflows and the certainty co-efficient are as follows.

Year	Project A		Project B	
	Cash inflows	Certainty coefficient	Cash inflows	Certainty coefficient
1	60000	0.8	50000	0.9
2	50000	0.7	70000	0.8
3	50000	0.9	50000	0.7

Risk free cut off rate is 10 %. State which project is better.

Calculation of cash flows with certainty Equivalent coefficient method.

21. VM Ltd is engaged in large scale retain business. From the following information you are required to forecast the working capital requirements.

Projected annual sale	Rs.130 lakhs
Percentage of net profit on sales	25%
Average credit period allowed to debtors	8 weeks
Average credit period allowed to creditors	4 weeks
Average stock carrying (in terms of sales requirements)	8 weeks
Add contingencies	10%

22. Calculate the operating cycle of a company, which gives the following details relating to its operation. The company gets 30 days credit from its suppliers. All sales made by thee firm are on credit only. You may take one year as equal to 365 days.

Particulars	Amount
Raw material consumption per annum	8,42,000
Annual cost of production	14,25,000
Annual cost of sales	15,30,000
Annual sales	19,50,000
Average value of current asset held	
Raw material	1,24,000
Work in progress	72,000
Finished goods	1,22,000
Debtors	2,60,000

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23. Prepare an estimate of working capital requirements from the following information of a trading concern.

Projected annual sales	Rs. 650,000
Percentage of net profit on sales	20%
Average credit period allowed to debtors	10 weeks
Average credit period allowed to suppliers	4 weeks
Average stock holding (in terms of sales requirements)	8 weeks
Contingencies	20 %

(Ceiling: 35 Marks)

Part C (Essay questions)

Answer any *two* questions. Each question carries 10 marks.

24. Explain in brief key functions of a finance manager or chief finance officer of a large size industrial organization?

25. Summer Ltd. and Winter Ltd. are identical in all respects including risk factors except for debt/ equity mix. Summer Ltd. having issued 12% debentures of Rs.30 lakhs, while Winter Ltd. issued only equity capital. Both the companies earn 24% before interest and taxes on their total assets of Rs.50 lakhs. Assuming the corporate effective tax rate of 40% and capitalisation rate of 18% for an all-equity company. Compute the value of Summer Ltd. and Winter Ltd.

26. A firm whose cost of capital is 10 percent is considering two mutually exclusive project A and B. The Cash inflows of which are as below.

Year	Project A (Rs)	Project B(Rs)
0	-50000	-80000
1	62500	96170

Suggest which project should be taken up using a) Net Present Value b) Internal Rate of Return

27. Calculate operating cycle? Assume 360 days per year for computational purpose.

Particulars	X Ltd	Y Ltd
Raw material	40,000	60,000
Work in progress	35,000	45,000
Finished goods	25,000	38,000
Purchase on consumption of raw material	1,60,000	2,70,000
Cost of goods produced / sold	3,00,000	3,80,000
Sales (All Credit)	3,60,000	4,32,000
Debtors	72,000	1,08,000
Creditors	20,000	27,000

(2 × 10 = 20 Marks)
