

S.NO: 22N1- UC

Course Code: BCJ

A.D.M.COLLEGE FOR WOMEN, NAGAPATTINAM

(AUTONOMOUS)

B. Com Degree Examination

V Semester – November – 2022

CC X – FINANCIAL MANAGEMENT

Time: 3 hours

Maximum Marks: 75

Section –A

10X2=20

Answer **ALL** the Questions

1. Define financial management.
2. What do you mean by cost of capital?
3. Define capital structure.
4. What is an optimum capital structure?
5. List the different forms of dividend.
6. What are bonus shares?
7. Name the different methods of forecasting working capital requirements of a business.
8. State the meaning of the term 'cash planning'.
9. What is meant by EOQ?
10. List the objectives of receivable management.

Section -B

5X5=25

Answer **ALL** the Questions

11. a) Explain the objectives of financial management.

(or)

b) Victory Ltd. issued Rs. 2,00,000, 9 % debentures at a premium of 10 %. The floatation costs (issue expenses) were 2 %. The tax rate is 40 %. Determine the cost of debt before tax and after tax.

12. a) List out the factors determining capital structure.

(or)

b) A company needs Rs. 6,00,000 for construction of a plant. The following two financial plans are feasible.

(i) The company may issue 60,000 equity shares of Rs. 10 each

(ii) The company may issue 30,000 equity shares of Rs. 10 each and 3,000 debentures of Rs. 100 each bearing 8 % coupon rate of interest.

The profit before interest and taxes (PBIT) is expected to be Rs. 1,50,000. Corporate tax rate is 50 %. Calculate the earnings per share under the two plans. Which plan would you recommend and why?

13. a) From the following information, calculate the degree of operating leverage in the year 2015.

EBIT (2014) – Rs. 40,000

EBIT (2015) – Rs. 50,000

Sales (2014) – 1,50,000 units

Sales (2015) – 1,80,000 units

(or)

b) Joy Ltd. Earns Rs. 5 per share. The company is capitalized at a rate of 10 % and has return on investment of 18 % . According to Walter's formula, calculate the price per share at 25 % dividend payout ratio?

14. a) A firm's monthly cash requirement is Rs. 1,80,000. Every month cash is procured by selling marketable securities. The fixed cost per transaction is Rs. 100. The firm gets annual interest at 12 % on its marketable securities. You are required to use the EOQ model and determine (i) Optimal cash balance (ii) Average cash balance (iii) No. of time marketing securities will have to be converted into cash.

(or)

b) From the following balance sheet calculate (i) Gross working capital and (ii) Net working capital

Balance Sheet as on 31-12-2020			
Liabilities	Rs.	Assets	Rs.
Share capital	6,00,000	<u>Fixed Assets:</u>	
Reserves	1,00,000	Land & Building	3,00,000
Debentures	3,00,000	Plant & Machinery	4,00,000
<u>Current Liabilities:</u>		<u>Current Assets:</u>	
Bank loan	1,00,000	Cash	60,000
Creditors	60,000	Investments	1,00,000
Bills payable	40,000	Debtors	1,40,000
		Inventory	2,00,000
	12,00,000		12,00,000

15. a) Calculate (i) Average age of debtors and (ii) Debtors turnover from the following particulars:
- Credit sales – Rs. 2,70,000
 - Return inwards – Rs. 20,000
 - Debtors at the beginning – Rs. 55,000
 - Debtors at the end – Rs. 45,000
 - Provision for doubtful debts - Rs. 5,000
- Assume number of days in a year is 360

(or)

- b) From the following particulars given below calculate Economic Order Quantity and the number of orders to be placed per year.
- Total consumption of material per year 10,000 kgs.
 - Buying cost per order Rs. 50
 - Unit cost of material Rs. 2 per kg.
 - Carrying and storage cost 8 % on average inventory.

Section –C

3 X 10 = 30

Answer any **THREE** Questions

16. Elaborate the functions of financial management.
17. Explain briefly the theories of capital structure.
18. The operating and cost data of Ashok Ltd. are as follows:
- Sales 40,000 units at Rs. 10 per unit
 - Variable cost at Rs. 7.50 per unit
 - Fixed costs Rs. 80,000 (including 15 % interest on Rs. 2, 00,000)
- Calculate the operating, financial and combined averages.

19. Anand wishes to commence a new trading business and gives the following information:

- (i) Total estimated sales p.a. Rs. 6,00,000
- (ii) His fixed expenses are estimated at Rs. 1,000 per month and variable expenses equal to 5 % of his turnover
- (iii) He expects to fix a sale price for each product which will be 25 % in excess of his cost of purchase
- (iv) He expects to turnover his stock 4 times in a year
- (v) The sales and purchases will be evenly spread throughout the year. All sales will be for cash but he expects one month's credit for purchases.

Calculate: (a) his estimated profit for the year

(b) his average working capital requirements

20. From the following particulars, calculate:

(i) Maximum level (ii) Minimum level and (iii) Re-order level

Normal usage: 100 units per day

Minimum usage: 60 units per day

Maximum usage: 130 units per day

Economic order quantity: 5,000 units

Reorder period: 25 to 30 days

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