QP CODE: 20100108

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Reg No : ....

Name : ....

BCOM DEGREE (CBCS) EXAMINATION, FEBRUARY 2020

Fifth Semester

Core Course - CO5CRT16 - FINANCIAL MANAGEMENT

B.Com Model I Finance & Taxation,B.Com Model I Co-operation,B.Com Model I Computer Applications,B.Com Model I Marketing,B.Com Model I Travel & Tourism

2017 Admission Onwards

BF901082

Time: 3 Hours | Maximum Marks :80

Part A

*Answer any **ten** questions.*

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

1. Define Finance.
2. What is the use of Inter Corporate Deposit?
3. ABC Ltd. issues 15000, 10 % debentures of Rs.100 each at a premium of 10%.The debentures are redeemable at a premium of 15 % after 10 years. The commission payable to underwriters and brokers is 5% and the tax rate applicable to the company is 50%. Compute cost of debt.
4. The cost of equity of a company has been worked out as 25% the income tax rate is 25% assume that dividend received is subject to tax and the cost of investment is 1%., calculate the cost of retained earnings of the company.
5. What is FRICT Analysis?
6. A project costs Rs. 7,50,000 and generate annual cash inflows of Rs. 1,50,000.Compute pay back period.
7. What is the decision rule in NPV?
8. What do you mean by Operating Cycle?
9. What do you mean by stock dividend?
10. What do you mean by conservative dividend policy?
11. What do you mean by bonus shares?

12. What do you mean by stock split? Give example.

(10×2=20)

Part B

*Answer any **six** questions.*

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

13. How is Economics related with Financial management?

14. Identify the statements in favour of and against profit maximisation concepts.

15. Alora Ltd issues 42000, 14% preference shares of Rs 500 each redeemable after 10 years. Underwriting commission is Rs 5000/- compute cost of capital if the issue is A) at par B) at 12% premium C) at 4% 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.

    1. Issue 60,000 equity shares of Rs.100 each.
    2. 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. Whether capital structure is levered or not is an important question from many angles. Why

19. What are the factors related with financial risk and explain their role.

20. Explain the significance of capital budgeting?

21. Explain the importance of adequate Working capital.

(6×5=30)

Part C

*Answer any **two** questions.*

*Each question carries **15** marks.*

22. A rupee received today is more worth than a rupee reeivable tomorrow. Comment on your reasons.

23. The following is the capital structure of S Ltd as on 31/03/2019

Source	Rs.
Equity Shares- 20,000 shares of Rs.100 each.	20,00,000
10% Preference Shares of Rs.100 each.	8,00,000
12 % Debentures	12,00,000

The market price of the company's share is Rs.110 and it is expected that a dividend of Rs.10 per share would be declared after one year. The dividend growth rate is 6%.

1. If the company is in the 40 % tax bracket, compute the weighted average cost of capital.
2. Assuming that in order to finance an expansion plan, the company intends to borrow a fund of Rs.20 lakhs bearing interest of 15%, what will be the company's revised weighted average cost of capital? This financing decision is expected to increase dividend from Rs. 10 to Rs. 12 per share. However, the market price of equity share is expected to decline from Rs. 110 to Rs. 105 per share.

24. A company sells 100000 units of LED bulb. The selling price per bulb is Rs 90/- and the variable cost per unit is Rs 30/-. Fixed cost for the year amounts to 525000/-. Calculate operating leverage. Also compute the degree of operating leverage if the company sells 125000 units bulb and 75000 units' bulb.

25. A proforma cost sheet of a company provides the following particulars:

Raw materials 40%

Direct Labour 10%

Overheads 30%

Further Informations are

1. Raw materials are to remain in stores on an average 6 weeks
2. Materials are in process on an average 4 weeks
3. Finished goods are in stock on an average 8 weeks
4. Credit period allowed to debtors , 10 weeks
5. Credit allowed by creditors 4 weeks
6. Selling Price per unit is Rs 100
7. It is proposed to maintain a level of activity of 65000 units of production

Estimate Working Capital requirement of the company.

(2×15=30)