



22101857

QP CODE: 22101857

Reg No :

Name :

**B.COM DEGREE (CBCS) SPECIAL SUPPLEMENTARY EXAMINATIONS,
MAY 2022**

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

For Regular Candidates : 2019 Admission Only
For Private Candidates : 2017 & 2018 Admissions

2418CCFF

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**

SECTION I

Part A

Answer any **ten** questions.

Each question carries **2** marks.

1. What is meant by Present Value Factor?
2. Explain "Zero Coupon bond".
3. P Ltd issued 8% 10,000 redeemable preference shares of Rs. 10 each at a premium of 20%. The preference shares are redeemable after 5 years at 30% premium. Cost of floating the issue Rs. 5,000. Compute the cost of preference share capital.
4. What is liquidity?
5. Calculate the level of EBIT of ordinary share capital of Rs 1000000/- or 20% debentures of Rs 800000/- and ordinary share capital of Rs 200000/-. Assume the corporate dividend rate is 40% and the price of ordinary share is Rs 10 each.
6. What do you mean by investment decision?
7. Define NPV.





8. What do you mean by working capital forecast?
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 profit dividend?
11. The earnings per share of A Ltd. is Rs. 4 and the company distributes Rs.1.60 as dividend. Calculate Payout ratio and retention ratio.
12. What do you mean by consolidation of shares? Give example.

(10×2=20)

Part B

Answer any six questions.

Each question carries 5 marks.

13. Financial management draw its essence from other disciplines.Exemplify this statement.
14. How cost of capital helps the finance manager to take financial decisions?
15. Moonk Ltd issues 7500 shares of Rs 10 each and expects to pay dividend of 10%. The floatation charges are estimated at 8% of the issue price. Compute cost of equity, if shares are issued at premium of 10%, issue at par and issue at discount of 4.5%. Assume that the market price of share is Rs 25/-
16. Explain the significance of financial risk analysis.
17. Sim Ltd operates at a production level of 8000 units. The contribution per unit is Rs 35/-. Operating leverage is Rs 6/- and combined leverage is Rs 30/-. If tax rate is 40% what would be its earnings after tax?
18. A industry is considering investment in a project which cost of Rs.800,000. The cash flows are Rs.1,60,000 , Rs. 1,80,000, Rs. 2,20,000, Rs. 2,50,000, Rs.2,70,000. Calculate pay back period.
19. Explain the cardinal principles of working capital management.
20. From the following information estimate the working capital requirement of Vishal trading concern.





1. Average amount locked up in stocks of:
- | | |
|-------------------------------------|--------|
| Work-in-progress and finished goods | 10,000 |
| Materials and Stores | 16,000 |
2. Average credit allowed to:
- | | |
|------------------------|----------|
| Inland sales - 2 weeks | 1,56,000 |
| Export Sales - 6 weeks | 6,24,000 |
3. Time-lag in payments for:
- | | |
|---------------------|----------|
| Purchases - 4 weeks | 1,92,000 |
| wages- 2 weeks | 5,20,000 |
- Allow 10 % for contingencies.

21. Explain the objectives of bonus issue.

(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. HML Ltd has an annual sales of Rs 650000/-, variable cost of Rs 280000/-, Fixed cost of Rs 125000/-. It has issued 15% debentures of Rs 1000000/-. Compute financial leverage, operating leverage and combined leverage.
24. A company has got up to Rs.3,00,000 to invest. The following proposals are under consideration.

Proposals	A	B	C	D	E
Initial outlay	Rs.1,25,000	Rs.2,50,000	Rs.3,00,000	Rs.60,000	1,00,000
Annual Cash Flow	Rs.16,000	Rs.75,000	Rs.25,000	Rs.9,000	Rs.26,000
Life in Years	15	20	18	12	11

Cost of capital is 10%.

Rank these projects according to (i) Pay-back period (ii) NPV method. Which project would you recommend?

25. Discuss the significance of Working Capital management in a business. What should be the impact of maintaining excess working capital? Also explain problems of inadequate working capital.

(2×15=30)

