

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com. DEGREE EXAMINATION – COMMERCE

SIXTH SEMESTER – NOVEMBER 2022

UCO 6502 – FINANCIAL MANAGEMENT

Date: 02-12-2022

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

PART-A Answer all the questions

10X2= 20 MARKS

1. What is Financial Leverage?
2. What do you understand by internal rate of Return?
3. What is weighted average cost of capital?
4. What is Optimum Capital Structure?
5. What is Point of Indifference?
6. Give the meaning of Dividend Policy.
7. Write a note on Operating Cycle.
8. Briefly explain Payback period.
9. Write a note on working capital management.
10. What is discounted cash flow in Capital Budgeting?

PART-B Answer any four questions

4X10= 40 MARKS

- 11). Define Financial Management and explain its objectives.
- 12). Explain the factors which are affecting Dividend Policy.
- 13). Explain the factors which influences the working capital management.
- 14). Following are the details regarding 3 companies:

A Ltd	B Ltd	C Ltd
r=15%	r=10%	r=8%
K=10%	K=10%	K=10%
E=Rs. 10	E= Rs. 10	E= Rs. 10

You are required to calculate the effect of dividend payment on the profits of each of the above companies under the following different situation.

- a) When no dividend is paid.
 - b) When dividend is paid at Rs. 4 per share
- 15). Rose Ltd is engaged in customer retailing. You are required to estimate its working capital requirement from the following data

Projected annual sales	Rs. 9, 00,000
Percentage of net profit to cost of sales	20%
Average credit allowed to debtors	1 month
Average credit allowed to creditors	2 months
Average stock carrying (in terms of sales requirement)	2 ½ months
Add 10% to allow for contingencies.	

16. From the following information taken from the book of the manufacturing concern computing the operating cycle in days.

Period Covered	365 Days
Average Period of credit allowed by suppliers	16 Days
Particulars	Rs.
Average of total debtor outstanding	480
Raw Material consumption	4400

Total Production cost	10000
Sale for the Year	10500
Value of Average stock maintained:	
Raw Material	320
Work in Progress	350
Finished Goods	260

17. A firm has sales of Rs. 40, 00,000. Variable cost is Rs. 44, 00,000 and fixed cost Rs. 8, 00,000 and the debt is Rs. 10, 00,000 at 10% rate of interest. Find out Operating leverage.

i) X Ltd issues Rs. 50,000, 8% debentures at par. The tax rate applicable to the company is 50%. Compute the cost of debt capital.

ii) Y Ltd issues Rs. 50,000, 8% debentures at a premium of 10% the tax rate applicable to the company is 60%. Compute the cost of debt capital

PART-C

Answer any two questions

2X20=40MARKS

18. A limited company has the following capital structure.

Equity Share Capital (2,00,000 shares)	Rs. 40,00,000
6% Preference Share	Rs. 10,00,000
8% debentures	Rs. 30,00,000
	Rs. 80,00,000

The market price of the company's equity share Rs. 20. It is expected that the company will pay a current dividend of Rs.2 per share which will grow at 7% forever. The tax rate may be presumed at 50%. You are required to compute a weighted average cost of capital based on existing capital structure.

19. Prepare the cash budget from the following information for the month of Feb. 2018.

Particular	Rs.
Cash in hand on Feb 1	10,000
Sale for Jan. 2018	1,00,000
Sale for Feb. 2018	1,50,000
Purchases for Jan. 2018	50,000
Purchases for Feb. 2018	70,000
Operating expense Jan. 2018	10,000
Operating expense Feb. 2018	20,000

Credit from suppliers one month, sales recovery 60% of the month of sale and the balance in the following month.

20. What is capital budgeting? And explain its importance.

21. A company is considering whether to purchase a new machine. Machines A and B are available for Rs.80, 000 each. Earnings after taxation are as follows:

Year	Machine A (Rs.)	Machine B (Rs.)
1	24,000	8,000
2	32,000	24,000
3	40,000	32,000
4	24,000	48,000
5	16,000	32,000

Required: Evaluate the two alternatives using the following: (a) payback method, (b) rate of return on investment method, and (c) net present value method. You should use a discount rate of 10%.

Year	1	2	3	4	5
DF	.909	.826	.751	.683	.621

#####