D 110004 **(Pages : 4)** **Name..................................**

Reg. No...............................

FIFTH SEMESTER (CBCSS—UG) DEGREE EXAMINATION NOVEMBER 2024

B.Com.

BCM 5B 11—FINANCE SPECIALIZATION II—FINANCIAL MANAGEMENT

(2019 Admission onwards)

Time : Two Hours and a Half Maximum : 80 Marks

Part A

Answer **all** *the questions* (2 *marks each, maximum* 25 *marks*).

1. What is wealth maximisation ?
2. Zero Coupon Bonds do not carry any interest. Do you agree ? If yes, how does it benefit the investors ?
3. Calculate the future value of Rs. 1,00,000 at the end of 3 year at 12 %.
4. X Ltd issued 10 % Rs. 10,00,000 12 % debentures of Rs. 100 each. Calculate the cost of debt if the issue is at par with 5 % floatation cost. The corporate tax rate is 40 %.
5. What is risk free rate ?
6. How does taxation affect cost of debt ?
7. From the following information, compute combined leverage. EBIT - Rs. 1,20,000, Contribution - Rs. 4,00,000 and Interest Rs. 10,000.
8. What do you mean by operating leverage ?
9. What is capital rationing ?
10. How do you calculate the cash inflow of a project, if profit before depreciation and taxes are given?
11. What do you mean by gross working capital ?
12. What is raw material conversion period ?

Turn over

13. What is RADR ?

14. The EPS of a company is Rs. 4 and it distributed Rs. 1.60 to its shareholders. Compute pay-out ratio and retention ratio.

15. What do you understand by credit policy ?

Part B

Answer **all** *the Questions* (5 *marks each, maximum* 35 *marks*).

16. Discuss the financing approaches to working capital management.

17. Explain the following terms.

    (a) NPV.
    (b) Payback period.
    (c) Depreciation Tax Shield.
    (d) Salvage.
    (e) Unconventional Projects.

18. Distinguish between capital structure and financial structure. Explain it with the help of a Balance Sheet.

19. Explain the significance of financial leverage.

20. Calculate the level of EBIT at which the EPS indifference point between the following financing alternatives will occur.

    Equity share capital of Rs. 6,00,000 and 12% Debentures of Rs. 4,00,000.

    Or

    Equity share capital of Rs. 4, 00,000, preference share capital of Rs. 2,00,000 and 12 % Debentures of Rs. 4,00,000. Preference dividend is 14 %.

    Assume the corporate tax rate is 35 % and par value of equity share is Rs. 10 in each case.

21. The EPS of a company is Rs. 10. The shareholders expect a rate of return of 10%.The internal rate of return is 10 %. Using Walter's model.

    (a) What should be the optimum pay-out ratio ?
    (b) What will be the market price, if the pay-out are : (i) 0 % ; and (ii) 80 %.

22. The following data is available.

    Credit allowed by suppliers - 60 days, Credit period allowed by the firm - 120 days, Average collection period - 140 days, Average payment period - 70 days, Average age of inventory - 170 days, Assume 360 days a year.

    Calculate cash cycle and cash turnover.

23. Explain the motives of holding inventories.

Part C

Answer any **two** *questions from the following.*
Each question carries 10 *marks.*

24. Explain the objectives of financial management.

25. Discuss the dimensions of receivables management.

26. A Ltd is considering the replacement of an existing machine. Two options are available. The cash flows are given below.

Year	*Cash Inflows*		
	Machine A	*Machine* B	PV *Factor*
	(Rs.)	(Rs.)	@ 10 %
0	(25,00,000)	(40,00,000)	1.00
1	Nil	10,00,000	0.91
2	5,00,000	14,00,000	0.83
3	20,00,000	16,00,000	0.75
4	14,00,000	17,00,000	0.68
5	14,00,000	15,00,000	0.62

Find out NPV and PI.

27. Assuming MM hypothesis, answer the following questions from the following data.

Number of equity shares—5,000

Capitalisation rate—20 %

Expected Dividend—Rs. 12

Current Market Price—Rs. 100

(a) The firm has a net income of Rs. 1,00,000. Assuming that it pays dividend and makes investment of Rs. 2,00,000 ; how many new shares must be issued ?

(b) What will be your answer, if dividends are not paid ?

(2 × 10 = 20 marks)