(NO. OF PAGES: 3)

(FOR THE CANDIDATES ADMITTED
DURING THE ACADEMIC YEAR 2023 ONLY)

23PCC205

REG.NO. :

N.G.M.COLLEGE (AUTONOMOUS) : POLLACHI
END-OF-SEMESTER EXAMINATIONS : MAY-2024

COURSE NAME: M.Com.-C.A | **MAXIMUM MARKS: 75**
SEMESTER: II | **TIME : 3 HOURS**

Financial Management

SECTION – A (10 X 1 = 10 MARKS)

ANSWER THE FOLLOWING QUESTIONS.

MULTIPLE CHOICE QUESTIONS. **K1**

1. ________ is concerned with the acquisition, financing and management of assets with some overall goal in mind.
   a. Financial Management b. Profit maximization c. Agency theory d. Social responsibility

2. Cost of capital refers to ________________.
   a. Floatation cost b. required rate of return c. Dividend d. none of these

3. __________ is the relative proportion of debt and equity used for financing the operations of business.
   a. cost of capital b. business structure c. financial structure d. capital structure

4. Capital budgeting is a part of _________.
   a. investment decision b. capital structure
   c. working capital management d. marketing management

5. Net working capital is the excess of current assets over _________.
   a. Total payables b. Net liability c. Current liabilities d. Total liability

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES. **(K2)**

6. Define Financial Management.
7. Mention the symbolic representation of cost of capital.
8. Define Leverages.
9. Specify any two features of Capital Budgeting.
10. What are the two concepts of Working Capital?

SECTION – B (5 X 5 = 25 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS. **(K3)**

11. a) Explain the role of Financial manager.

(OR)

b) Explain the advantages and drawbacks of profit maximization.

12. a) Explain the importance of cost of capital.

(OR)

b) Sakthi Ltd. issued 20,000 8% debentures of Rs. 100 each on 1st April 2009. The cost of issue was Rs. 50,000. The company's tax rate is 35%. Determine the cost of debentures (before as well as after tax) if they were issued, (a) at par; (b) at a premium of 10% and (c) at a discount of 10%.

(CONTD……….2)

13. a) Following is the cost information of a firm:

Fixed cost = Rs. 50,000
Variable cost = 70% of sales
Sales = Rs. 2,00,000 in previous year and Rs. 2,50,000 in current Year, Find out percentage change in sales and operating profits when:

(i) Fixed costs are not there (no leverage)
(ii) Fixed costs are there (leveraged situation)

(OR)

b) Explain the difference between Capital Structure and Capitalization.

14.a) A project cost Rs. 5,00,000 and yields annually a profit of Rs. 80,000 after depreciation @ 12% p.a. but before tax of 50%. Calculate the pay back period.

(OR)

b) A Company is contemplating investment in a project which requires an initial investment of Rs. 2,00,000 generating a cash flow of Rs. 80,000 every year for 4 years. Calculate the internal rate of return.

15.a) List the factors that influences the size of receivables.

(OR)

b) Explain the types of Working Capital.

SECTION – C (5 X 8 = 40 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.

(K4 (Or) K5)

16. a) Briefly explain the scope of Financial Management.

(OR)

b) Explain the functional areas of financial management.

17. a) The shares of a company are selling at Rs. 40 per share and it had paid a dividend of Rs. 4 per share last year. The investor's market expects a growth rate of 5 per cent per year.

i) Compute the company's equity cost of capital
ii) If the anticipated growth rate is 7% per annum, calculate the indicated market price per share.

(OR)

b) Following information is available with regards to the capital structure of Edwards Ltd.

	Amount Rs.	**After tax cost of capital %**
Debentures	12,00,000	5%
Preference sharing capital	4,00,000	10%
Equity share capital	8,00,000	15%
Retained earnings	16,00,000	12%

You are required to calculate Weighed Average Cost of Capital (WACC).

18. a) Briefly explain the determinants of dividend policy

(OR)

b) Dubin Ltd. has equity capital of Rs. 12,00,000 divided into shares of Rs. 100 each. It wishes to rise further Rs. 6,00,000 for expansion-cum-modernization scheme. The company plans the following financing alternative.
Plan A – By issuing equity shares only.
Plan B – Rs. 2,00,000 by issuing equity shares and Rs. 4,00,000 through debentures @ 10 % p.a.
Plan C – Rs. 2,00,000 by issuing equity shares and Rs. 4,00,000 by issuing 9% perfernce shares.
Plan D – By raising term loan only at 10% p.a.
You are required to suggest the best alternative giving your comment assuming that the estimated EBIT after expansion is Rs. 2,25,000 and corporate rate of tax is 40%.

19.a) X. Ltd. Is producing articles mostly by manual labour and is considering to replace it by a new machine. There are two alternative models M and N of the new machines.
Prepare a statement of profitability showing the pay-back period from the following information:

	Machine M	**Machine N**
Estimated life of the machine	4 years	5 years
Cost of the machine	Rs. 90,000	Rs. 1,80,000
Estimated savings in scrap	5,000	8,000
Estimated savings in direct wages	60,000	80,000
Additional cost of maintenance	8,000	10,000
Additional cost of supervision	12,000	18,000

(OR)

b) Describe the Risk analysis in Capital Budgeting.

20.a) Describe the factors that determine Working Capital requirement

(OR)

b) Discuss the nature, benefits and risks of holding inventories.

****