STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2019-20)
SUBJECT CODE: 19BA/MC/IF44
B.B.A. DEGREE END SEMESTER EXAMINATION APRIL 2021
BUSINESS ADMINISTRATION
FOURTH SEMESTER

COURSE : MAJOR CORE
PAPER : Introduction to Financial Management
TIME : 90 MINUTES **MAX. MARKS: 50**

Section – A
Answer All The Questions: **(3X 2 = 6)**

1. Define Financial Management.
2. A company's cost of equity capital (Ke) is 15%. The average tax rate of shareholders is 40% and the brokerage cost for purchase of securities is 2%. Calculate the cost of retained earnings.
3. From the following relating to P Ltd., calculate Operating Cycle

Stock Holding:	Raw materials	: 1 months
	W.I.P	: 15 days
	Finished Goods	: 2 month
Average debt collection period		: 1 month
Average payment period		: 45 days

Section – B
Answer Any Three Questions **(3 X 8 = 24)**

4. Discuss the theories of Capital Structure.
5. From the following information, prepare a statement showing working capital required by the company:
   Level of production per month – 20,000 units
   Selling price per unit – Rs.20
   Expected ratios of costs to selling price
   (i) Raw Materials -60%
   (ii) Direct Labour -10%
   (iii) Overheads – 20%
   Raw materials required in stock – 2 months
   Production time – 3 month
   Finished goods in stock on an average – 2 months
   Credit for materials – 2 months
   Credit allowed to customers – 3 months
   Average cash balance – Rs.20,000
   Wages and overheads are paid at the beginning of the month following. In production, all the required materials are charged in the initial stages and wages and overheads accrue evenly.

6. a) XYZ Ltd has borrowed RS.5, 00,000 to be repaid in five equal annual payments. The rate of interest is 16%. Compute the amount of each payment and Prepare amortization table.

   b) A investor deposit Rs.100 in bank account for 5 years at 8% interest. Find out the amount which he will in his account if interest is compounded Annually, Semi-Annually and Quarterly.

7. S Ltd., has issued 6,000 8% Preference shares of Rs.100 each. The floatation costs are Rs.10,000. Compute the cost of preference share capital if the shares are issued (a) at par (b) at a premium of 10% and (c) at a discount of 10%.

SECTION – C

ANSWER ANY ONE QUESTION **(1x20=20)**

8. The cost structure of a company is as follows

Particulars	amount
Equity Share (2,00,000 shares)	40,00,000
6% preference shares	10,00,000
8% debentures	30,00,000
Total	80,00,000

The market price of the company's equity shares is Rs.20. it is expected that the company will pay a dividend of Rs.2 per share @ the end of the current year which is grow 7% forever. Tax rate is 50%. Calculate (i) WACC based on existing capital structures (ii) Revised WACC if the company raises an additional Rs.20,00,000 debts by issuing 10% debentures. This could result in increasing the expected dividend to Rs. 3 per share but the market price will fall to Rs.15 per share.

9. A company is considering an investment proposal to install new milling controls. The project will cost Rs.50,000. The facility has a life expectancy of 5 years and no salvage value. The company's tax rate is 55%. The firm uses straight line method of depreciation. The estimated profits before depreciation from the proposed investment proposal are as follows:

Year	1	2	3	4	5
Profits	10,000	11,000	14,000	15,000	25,000

Compute the following

(a) Payback Period Method

(b) Average Rate of Return Method

(c) Net Present Value Method

(d) Internal Rate of Return Method

(e) Profitability Index Method.