

B.COM.(C.S) DEGREE EXAMINATION NOVEMBER 2022
CORPORATE SECRETARYSHIP
THIRD SEMESTER

COURSE : MAJOR – CORE
PAPER : INTRODUCTION TO FINANCIAL MANAGEMENT
TIME : 3 HOURS **MAX. MARKS: 100**

SECTION – A

ANSWER ALL QUESTIONS: (10 x 2 = 20)

1. Define financial management.
2. Compute the share value of a company paying a dividend of ₹3.60 per year over infinite maturity, with expected zero growth. The discount rate (i) is assumed to be 12% yearly. (1) Calculate present value.
3. What is meant by over capitalization?
4. ABC Ltd. has just declared and paid a dividend at the rate 15% on the equity share of ₹ 100 each. The expected future growth rate in dividends is 12%. Find out the cost of capital of equity shares given that the present market value of the share is ₹ 168.
5. Write a note on IRR method.
6. A project has an initial investment of Rs. 2, 00,000. It will produce cash flows after tax of Rs. 50,000 per annum for six year. Compute the payback period for the project.
7. Write a note on the term working capital cycle.
8. Calculate the operating cycle:

Raw materials	2 months
WIP	15 days
Finished Good	1 month
Average debt collection period	2 month
Average payment period	45 days

9. What is meant by leverages?

10. Calculate Operating Leverage:

No.of units produced: 50,000

Selling price per unit; 50

Variable cost per unit: 20

Fixed cost per unit: 15

SECTION – B

ANSWER ANY FIVE QUESTIONS: (5 x 8 = 40)

11. Explain the objectives of financial management.

12. You have borrowed \$850 from your sister and you have promised to pay her \$1000 after 3 years. With annual compounding, find the ~~int~~rate of interest for this loan.
13. Calculate the operating, financial and combined leverages from the following information.
 Sales Rs. 50,000
 Variable cost Rs. 25,000
 Interest Rs.5, 000
 Fixed cost Rs.15, 000
14. Ravi holds 14% perpetual debenture of Rs.5000 each. Calculate the value of debenture if the required rate of return is (i) 8%
15. A project costs R. 20 lakh and yields annually a profit of Rs. 3 lakhs after depreciation at $12\frac{1}{2}$ but before tax at 50%. Calculate payback period.
16. ABC Ltd. expects its cost of goods sold for 2000-2001 to be Rs. 600 lacs. The expected operating cycle is 90 days. It wants to keep minimum cash balance of Rs. one lac. What is the expected working capital requirement? Assume a year consists of 360 days.
17. What are the different types of working capital?

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 20 = 40)

18. From the following capital structure of a company, compute the overall cost of capital using (i) Book value weights, and (ii) Market value weights.

Particular	Book value Rs.	Market value Rs.
Equity share capital (Rs. 10 Per share)	45,000	90,000
Retained earnings	15,000	-
Preference share capital	10,000	10,000
Debentures	30,000	30,000

The after-tax cost of different sources of finance is as follows:

Equity share capital	: 14%
Retained earnings	: 13%
Preference share capital	: 10%
Debentures	: 5%

19. Himalaya Ltd. Has Rs.2, 00,000 to invest in a certain project. The following proposals are under consideration. The cost of capital of the company is estimated to be 15%

PROJECT	INITIAL OUTLAY	CASH INFLOWS Rs.	LIFE (in years.
A	1,00,000	25,000	10
B	7,00,000	20,000	8
C	30,000	6,000	20
D	50,000	15,000	10

Rank the project on the basis of: (i) Profitability index method.(ii) Net present value method

P.V. of the Annuity of Re.1 received discounted at 15% is given below.

8 Years - 4.487 10 Years - 5.019

20. The following information is available for Swagat Ltd.,

	Rs. In million
Average stock of raw materials and stores	200
Average work-in-process inventory	300
Average finished goods inventory	180
Average accounts receivable	300
Average accounts payable	180
Average raw materials and stores purchased on Credit and consumed per day	10
Average work-in-process value of raw materials Consumed per day	12.5
Average cost of goods sold per day	18
Average sales per day	20

You are required calculate: (a) Duration of raw materials stage, (b) Duration of work-in-progress stage, (c) Duration of finished goods stage, (d) Duration of accounts receivable stage, (e) Duration of accounts payable stage, (f) Duration of the operating cycle.

21. The following key information pertains to Ashika Ltd. for the year 2013-14.

	₹lakhs
Sales	82.50
Variable Cost	46.20
Fixed Cost	6.60
9% Debentures	50.00
Equity Shares (₹ 100 each)	60
Corporate Tax	35%

You are required to work out :

1. What is the Company's ROI?
2. Does it have favourable financial leverage?
3. If the firm belongs to an industry whose asset turnover is 3, does it have high or low assetleverage?
4. What is the operating, financial and combined leverage of the firm?
5. What is the Company's EPS?
