STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 86
(For candidates admitted from the academic year 2023 – 2024 and thereafter)

B.COM. DEGREE EXAMINATION, APRIL 2026
BANKING , FINANCE AND ENTREPRENURESHIP
FOURTH SEMESTER

COURSE : MAJOR-CORE
PAPER : FINANCIAL MANAGEMENT
SUBJECT CODE : 23BF/MC/FM44
TIME : 3 HOURS **MAX. MARKS: 100**

<table>
<tr><th>Q. No.</th><th>SECTION A
Answer all questions: (not exceeding 50 words) (5 x 2 =10)</th><th>CO</th><th>KL</th></tr>
<tr><td>1.</td><td>What is leverage?</td><td>1</td><td>1</td></tr>
<tr><td>2.</td><td>Write a note on inventory management.</td><td>1</td><td>1</td></tr>
<tr><td>3.</td><td>Mr.Ashok deposits Rs.50,000 at 9% for 5 years. What is the compound value of deposit?</td><td>1</td><td>1</td></tr>
<tr><td>4.</td><td>Ganesh Industries Ltd., issues 5,000 12% debentures for Rs.100 each at par. The tax rate is 40%. Calculate after- tax cost of debt.</td><td>1</td><td>1</td></tr>
<tr><td>5.</td><td>Compute ARR from the following data:
<table><tr><td>Cost of asset</td><td>Rs.4,00,000</td></tr><tr><td>Useful life</td><td>5 years</td></tr><tr><td>Cash flow before depreciation and after tax</td><td>Rs.1,72,000 p.a.</td></tr></table></td><td>1</td><td>1</td></tr>
<tr><th>Q. No.</th><th>SECTION B
Answer any four questions (theory not exceeding 150 words) (4 x 5 = 20)</th><th>CO</th><th>KL</th></tr>
<tr><td>6.</td><td>Explain the factors affecting working capital requirement.</td><td>2</td><td>2</td></tr>
<tr><td>7.</td><td>A project cost RS.20,00,000 and yield annually a profit of Rs.3,00,000 after depreciation at 10% but before tax of 50%. Calculate Pay-back period.</td><td>2</td><td>2</td></tr>
<tr><td>8.</td><td>The following particulars relate to Karunya Ltd.
<table><tr><td>Equity share capital 10,000 shares of Rs.100 each</td><td>Rs.10,00,000</td></tr><tr><td>Profit after tax</td><td>Rs. 8,00,000</td></tr><tr><td>Current market price of equity share</td><td>Rs. 900</td></tr></table>Calculate the cost of equity.</td><td>2</td><td>2</td></tr>
<tr><td>9.</td><td>The following projections have been given in respect of companies A ltd.
<table><tr><td>Particulars</td><td>A Ltd.</td></tr><tr><td>Sales</td><td>5,000 units</td></tr><tr><td>Variable cost per unit</td><td>Rs.5</td></tr><tr><td>Fixed cost</td><td>Rs.12,000</td></tr><tr><td>Interest payable on debt</td><td>Rs.6,000</td></tr><tr><td>Selling price per unit</td><td>Rs.10</td></tr></table>On the basis of above information calculate:
(a) Operating leverage (b) Financial leverage.</td><td>2</td><td>2</td></tr>
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…2

<table>
<tr><td>10.</td><td>Calculate EPS of Sun Ltd. Assuming (i) 20% return on asset (ii) 15% on asset based on the following data:
<table>
<tr><td>Particulars</td><td>Rs.</td></tr>
<tr><td>12% Debentures</td><td>10,00,000</td></tr>
<tr><td>Asset</td><td>20,00,000</td></tr>
<tr><td>Equity shares of Rs.100 each</td><td>10,00,000</td></tr>
<tr><td>Assume income tax rate</td><td>40%</td></tr>
</table></td><td>2</td><td>2</td></tr>
<tr><td>11.</td><td>Calculate the present value of the following cashflows:
<table>
<tr><td>Year</td><td>1</td><td>2</td><td>3</td></tr>
<tr><td>Expected cash flows</td><td>Rs.2,000</td><td>Rs.4,000</td><td>Rs.6,000</td></tr>
</table>
Interest is 12%.</td><td>2</td><td>2</td></tr>
<tr><td></td><td>SECTION C</td><td></td><td></td></tr>
<tr><td>Q. No.</td><td>Answer the following questions (4 x 10 =40)</td><td>CO</td><td>KL</td></tr>
<tr><td>12.</td><td>a) The following information is available for Ravi ltd.,
<table>
<tr><td>Particulars</td><td>Rs.</td></tr>
<tr><td>Average stock of raw material</td><td>2,40,000</td></tr>
<tr><td>Average work -in – process</td><td>3,60,000</td></tr>
<tr><td>Average finished goods inventory</td><td>2,00,000</td></tr>
<tr><td>Average accounts receivables</td><td>3,00,000</td></tr>
<tr><td>Average accounts payable</td><td>1,80,000</td></tr>
<tr><td>Average raw material and stores purchased on credit and consumed per day</td><td>12,000</td></tr>
<tr><td>Average work -in – process value of raw material consumed per day</td><td>12,000</td></tr>
<tr><td>Average cost of goods sold per day</td><td>20,000</td></tr>
<tr><td>Average sales per day</td><td>15,000</td></tr>
</table>
You are required to calculate duration of operating cycle.
(OR)
b) Moorthy borrowed a vehicle loan of Rs.3,00,000 at 8% from his employer for five years. He is required to repay as five equal end of year instalments. How much he has to pay every year? Set up amortization table.</td><td>3

3</td><td>3

3</td></tr>
<tr><td>13.</td><td>a) The capital structure of Asian Paints Ltd. Consists of equity share capital of Rs.1,00,000 (shares of Rs.100 par value) and Rs.1,00,000 of 12% debentures. Sales has increased from 10,000 units to 12,000 units, the selling price is Rs.20 per unit ., variable cost is Rs.10 per unit and fixed expenses is Rs.40,000. The income tax rate is assumed to be 50%.
You required to calculate the following.
a) The percentage increase is earning per share
b) Degree of operating leverage at 10,000 units and 12,000 units
c) Degree of financial leverage at 10,000 units and 12,000 units
(OR)</td><td>3</td><td>3</td></tr>
</table>

	b) The following particulars are relating to a project, calculate the discounted payback period. Cost of the Project: Rs.90,000 Estimated life: 5 years Profit after tax: 1st year: Rs.10,000 2nd year: Rs.15,000 3rd Year: Rs.25,000 4th year: Rs.12,000 5th year: Nil Depreciation has been calculated under straight line method. The cost of capital may be taken as 20%.	3	3
14.	a) Dazzle Ltd. Issued 10,000 9% Preference shares of Rs.10 each, redeemable after 10 years. The flotation costs were 3%. Compute the cost of preference shares if it was issued at (a) Par (b) A premium of Rs.10% (c) A discount of 10%.	4	4
	(OR)		
	b) Two components A and B are used as follows: Normal usage 50 units each per week, Minimum usage 25 units each per week, maximum usage 75 units each per week; Re-order quantity A: 300 units, B: 500 units , re-order period A 4 to 6 weeks, B 2 to 4 weeks. Calculate for each component a) Re-order Level b) Minimum Level c) Maximum Level d) Average stock level.	4	4
15.	a) Summarized below are the income and expenditure forecasts for the months of April to June, 2021	4	4

Month	Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)
February	50,000	24,000	4,000
March	60,000	68,000	5,000
April	40,000	32,000	12,000
May	80,000	36,000	6,000
June	90,000	40,000	10,000

Prepare a cash budget for 3 months starting on 1st April 2021 keeping in view the following information:

i) Cash balance as on 1st April was Rs.12,000
ii) Advance tax instalment of RS.5,000 each are payable in Feb. and May.
iii) Period of credit allowed by suppliers is two months and credit period allowed to customers is one month
iv) Lag in payment of wages is one month.

	(OR) b) i) Arasu & Co. issued 10% debentures of Rs.5,00,000. It is to be redeemed after five years. How much should the company invest in sinking fund earning 12% in order to be able to repay debentures? ii) Mr.Amanullah deposits Rs.1,00,000 in a bank at 24% for 1 year. What is the maturity value of his investment , if interest is compounded a) annually b) semi-annually c) quarterly d) monthly.	4	4
	SECTION D		
Q. No.	**Answer any two questions: (2 x 15 = 30)**	**CO**	**KL**
16.	Determine the working capital requirement from the following particulars: Particulars – Rs. Raw material – 40 Labour – 30 Overheads (including depreciation Rs.5) – 15 Additional information: i) Selling price Rs.100 per unit ii) Production 2,400 units per annum iii) Raw material in stock , average 6 weeks iv) Work- in –progress (assume full unit of raw material required in the beginning of manufacturing: other conversion cost are 50%) average 4 weeks v) Finished goods in stock , average 6 weeks vi) Credit allowed to debtors 8 weeks vii) Credit allowed by suppliers 6 weeks viii) Lag in payment of wages 1.5 weeks ix) Cash in hand estimated Rs.15,000 You may assume that the production is carried on evenly and wages or overheads accure evenly.	5	5
17.	A limited company is considering investing in a project requiring a capital outlay of Rs.5,00,000. Forecast of annual income after depreciation but before tax is as follows: Year – Rs. 1 – 2,50,000 2 – 2,50,000 3 – 2,00,000 4 – 2,00,000 5 – 1,00,000 Depreciation may be taken as 20% on original cost and taxation at 50% of net income. Calculate a) Pay back period b) Rate of Return on original investment c) Rate of return on average investment d) Net Present value at 12% e) Profitability Index .	5	5

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<td>18.</td>
<td>The Habdhoor Ltd.Company furnishes the following .
<table>
<tr><td>particulars</td><td>Rs.</td></tr>
<tr><td>5,000 equity shares of Rs.100 each</td><td>5,00,000</td></tr>
<tr><td>12% Preference Shares</td><td>2,00,000</td></tr>
<tr><td>14% Debentures</td><td>3,00,000</td></tr>
</table>
The current market price of the share is Rs.105. The company is expected to declare a dividend of Rs.13 at the end of the current year with an expected growth rate of 10%. The applicable tax rate is 50%.
a) Calculate the cost of equity and weighted Average cost of capital.
b) Assume that the company can raise Rs.5,00,000 16% Debentures . Calculate the new weighted average cost of capital if
i) Dividend rate is increased from Rs.13 to Rs.15
ii) Growth rate is reduced from 10% to 9% and
iii) Market price is reduced to Rs.95.</td>
<td>5</td>
<td>5</td>
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