

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2015-16 and thereafter)
SUBJECT CODE:15CM/MC/FM44

B.Com. / B.Com (CS) DEGREE EXAMINATION APRIL 2018
COMMERCE / CORPORATE SECRETARYSHIP
FOURTH SEMESTER

COURSE : MAJOR – CORE
PAPER : FINANCIAL MANAGEMENT
TIME : 3 HOURS

MAX. MARKS: 100

Section A

Answer ALL the questions.

(10 x 2 = 20)

1. Define Financial Management.
2. What do you understand by time value of money?
3. Define Cost of Capital.
4. What is Capital Budgeting?
5. Define the term Working Capital.
6. Compute the Cost of Equity, when expected dividend per share is ` 9, market price per share is ` 100 and growth rate in dividend is 5%.
7. Raj makes an initial deposit of ` 2,00,000 in Laxmi Bank Ltd. Interest is compounded at 10% p.a. for 6 years. Compute the amount of maturity.
8. Calculate the Cost of debt after tax, when the annual cost after tax is ` 3,65,625 and average value of debt is ` 51,87,500.
9. A project has an initial investment of ` 2,00,000. It will produce cash flows after tax of ` 50,000 per annum for six years. Compute the payback period for the project.
10. Calculate internal rate of return from the following:
 - Initial outlay = Rs. 50,000
 - Life of the asset = 5 years
 - Estimated cash flow = Rs. 12,000

Section B

Answer Any FIVE questions.

(5 x 8 = 40)

11. Explain the objectives of Financial Management.
12. Discuss the technique of Compounding under time value of money.
13. Mr. Raghav invests ` 25,000 in a bank at 10% for 5 years. Calculate the maturity value if interest is compounded annually. Will he get more if interest is compounded half yearly?
14. Calculate present value factors at 12% p.a for a period of 5 years.
15. A firm issues debentures of ` 1,00,000 and realizes ` 98,000 after allowing 2% commission to brokers. Debentures carry interest rate of 10%. The debentures are due for maturity at the end of 10th year at par. Calculate Cost of debt.
16. A project costs ` 20 lakh and yields annually a profit of ` 3 lakh after depreciation at 12 $\frac{1}{2}$ % but before tax at 50%. Calculate payback period.
17. From the following information extracted from the books of a manufacturing company, compute the operating cycle in days:
Period covered: 365 days
Average period of credit allowed by suppliers: 16 days
 - Raw materials consumption - ` 44,00,000
 - Total production cost - ` 1,00,00,000
 - Total cost of sales - ` 1,05,00,000

Sales for the year	- ` 1,60,00,000
Value of average stock maintained:	
Raw materials	- ` 3,20,000
Work-in-progress	- ` 3,50,000
Finished goods	- ` 2,60,000

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Section C

Answer Any TWO questions.

(2 x 20 = 40)

18. Calculate the maturity amount if ` 2,00,000 is invested for 2 years at 12% compounded – a) annually, b) semi-annually, c) quarterly and d) monthly.
19. Sakthi Ltd. Issued 20,000 8% debentures of ` 100 each on 1st April 2009. The cost of issue was ` 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%.
20. An investment of ` 10,000 (having scrap value of ` 500) yields the following returns:

Year	1	2	3	4	5
CFAT	4,000	4,000	3,000	3,000	2,500

The cost of capital is 10%. Is the investment desirable? Discuss it according to NPV method assuming the P.V. factors for 1st, 2nd, 3rd, 4th and 5th year. – 0.909, 0.826, 0.751, 0.683 and 0.620 respectively.

21. From the following information relating to Perara Ltd., calculate
a) Operating cycle,
b) No. of operating cycles in a year assuming a 360 day year, and
c) Average working capital required, if annual cash operating expenses are ` 150 lakh.

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