

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com. DEGREE EXAMINATION – COMPUTER APPLICATIONS

FIFTH SEMESTER – NOVEMBER 2022

UCC 5501 – FINANCIAL MANAGEMENT

Date: 24-11-2022

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

PART – A

Q. No Answer ALL the questions (10 x 2 = 20 Marks)

- 1 State any two objectives of financial management.
- 2 What is Optimum Capital structure?
- 3 What is Indifference point EBIT?
- 4 Z Ltd has Sales of Rs 4,00,000. The variable cost is 60% of the sales and fixed cost is Rs 80,000. Calculate EBIT.
- 5 A project cost Rs 45,000 and it is expected to generate cash inflow of 5000 annually for 15 years. Calculate Pay Back Period?
- 6 What is Capital Budgeting?
- 7 List out NPV project evaluation criteria.
- 8 Working capital = Current Assets - _____
- 9 What do you mean by Credit period?
- 10 IRR stands for _____

PART - B

Answer any Four questions

(4 x10= 40 Marks)

- 11 Explain the types of Leverages?
- 12 Briefly analyze the various functions of financial management.
- 13 ABC Ltd. has the following capital structure
Equity Share Capital of Rs 100 = Rs 5,00,000
10% Loan = 3,00,000
The company wants to implement a project which requires Rs 10,00,000.
The following are the financing options available
Option 1- 10,000 Equity Shares of Rs 100 each
Option 2 – 5000 Equity Shares of Rs 100 each for Rs 5,00,000
12% preference shares of Rs 3,00,000
And 10% Debentures for Rs 2,00,000
Calculate indifference point EBIT, assuming 40% tax rate.
- 14 A Firm sells its only product at Rs 12 per unit. Its Variable Cost is Rs 8 Per unit. Present sales are 1000 Units. Calculate operating leverage in each of the following situations
 - a) When fixed cost is Rs 1000
 - b) When fixed cost is Rs 1200
 - c) When fixed cost is Rs 1500
- 15 Evaluate the project using Accounting Rate of Return (ARR)
Project Cost and profits are given below:
Initial Outlay – 5,00,00,000
Life of the asset – 5 years

Salvage Value – 30,00,000

Cost of Capital – 15%

Year	Profit after tax
1	30,00,000
2	50,00,000
3	70,00,000
4	90,00,000
5	1,20,00,000

- 16 a) Ajay limited issued 30,000 12% irredeemable debentures of Rs 100 each. The Cost of floatation of debentures is 5% of the total issued amount and the tax rate is 40%. Calculate Cost of irredeemable Debt. (5 marks)
- b) Bharath Ltd. has raised funds through issue of 10,000 debentures of Rs 150 each at a discount of Rs 10 per debenture with 10-year maturity period. The coupon rate is 16% and the floatation cost is 5 per debenture. Debenture is redeemable at a premium of 10% and the tax rate is 50% Calculate cost of redeemable debt? (5 Marks)

- 17 Level of Activity – 1,04,000 Unit per annum

Raw material – Rs 80 per unit

Direct Labour – Rs 30 Per unit

Overheads - Rs 60 Per unit.

Cost of production is 170 per unit

Selling price is Rs 200 per unit

The raw material is in stoppage for 4 weeks, Work in progress (Assume 50% Completion) for 2 Weeks, Finished goods for 4 Weeks

Credit allowed by suppliers is 4 Weeks

Credit allowed to debtors is 8 Weeks

Lag in payment of wages is 1.5 Weeks

Cash at bank is expected to be Rs 25,000

Calculate Net working Capital by adding 20% for contingency.

PART - C

Answer any Two questions

(2 x 20= 40 Marks)

- 18 Discuss the different methods of calculating cost of capital
- 19 XYZ Company is considering a project costing Rs100,000. The life span is 5 years, the project requires a working capital of Rs 5000 at the end of the second year. Assume tax rate is 30% and hurdle rate is 15%. From the Earning before tax given below

Year	Earning Before Tax (Rs)
1	20,000
2	30,000
3	50,000
4	40,000
5	35,000

Considering yourself as a financial analyst, evaluate and suggest XYZ company on this project proposal using the below capital budgeting techniques

- a) Accounting Rate of Return

- b) Pay Back Period
- c) Net Present Value
- d) Profitability Index

Present Value Interest Factor Table (PVIF) @ 30%

Year 1	Year 2	Year 3	Year 4	Year 5
0.769	0.592	0.455	0.350	0.269

Present Value Interest Factor Table (PVIF) @ 15%

Year 1	Year 2	Year 3	Year 4	Year 5
0.870	0.756	0.658	0.572	0.497

20 Degree of Operating Leverage (DOL) is 2

Interest – Rs 1000

Variable Cost – 50% of Sales

Degree of Financial leverage (DFL) is 2

Tax rate is 50%

You are required to

- a) Prepare Income Statement - (5 Marks)
- b) Calculate Degree of combined leverage (DCL) – (5 Marks)
- c) Interpret DOL, DFL and DCL. (10 Marks)

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