LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – **CORPORATE SECRETARYSHIP**

SIXTH SEMESTER – **APRIL 2019**

BC 6604– FINANCIAL MANAGEMENT

Date: 01-04-2019 Dept. No. Max. : 100 Marks

Time: 09:00-12:00

Section A (10 X 2 =20 marks)

Answer all the Questions.

1) Define Financial Management.
2) What is Financial Planning?
3) Define Capital Structure.
4) What are the components of Cost of Capital?
5) Define Working Capital.
6) What are the objectives of capital budgeting?
7) A company's share is quoted in the market at Rs.20 currently. The company pays a dividend of Re. 1 per share and the investors expect a growth rate of 5% per year. Compute the company's Cost of equity capital.
8) Abishek Ltd. expects its cost of goods for the next year to be Rs.6,00,000. The expected operating cycle is 60 days. The company's policy is to carry a minimum cash balance of Rs. 2,00,000. Estimate the working capital requirement.
9) Sathya has an excess cash of Rs.22,00,000 that can be invested in different short term marketable securities. For these transactions, the firm will have to incur an expenditure of Rs.80,000. If the securities invested have a yield of 9%, which of the following periods can be chosen for investment?

   a. 2 months b. 4 months c. 6 months
10) A firm requires total capital funds of Rs. 50,00,000 all equity. The equity shares can be currently issued at Rs. 100 per share. The expected EBIT of the company is Rs. 5,00,000 with tax rate at 40%. Find out the EPS.

Section B (4X10 =40 marks)

Answer any Four Questions.

11) Explain the objectives of Financial Management.

12) Explain the need for Capital Budgeting.

13) A firm issues debentures of Rs. 1,00,000 and realizes Rs. 98,000 after allowing 2% commission to brokers. Debentures carry interest rate of 10%. The debentures are due for maturity at the end of 10^{th} year at par. Calculate Cost of Debt.

14)From the following information relating to Perara Ltd., calculate a) Operating cycle b) Number of operating cycles in a year assuming a 360 day year, and c) Average working capital required, if annual cash operating expenses are Rs. 150 lakh.

Stock holding: Raw materials	: 2 months
WIP	: 15 days
Finished goods	: 1 month
Average debt collection period	: 2 months
Average payment period	: 45 days

15) Lakshmi ltd. has a share capital of Rs.1,00,000 divided into shares of Rs.10 each. The management is considering the following alternatives for financing a capital expenditure of Rs.50,000.

1. Issue of 10% debentures
2. Issue of 5,000, 12% preference shares of Rs.10 each.
3. Issue of 5,000 shares of Rs.10 each

   The earnings before interest and taxes (EBIT) are Rs.30,000 p.a.

Calculate the effect on earnings per share assuming EBIT continues to be the same even after the capital expenditure.

16). Aishwarya ltd. Issued 60,000, 15% irredeemable preference shares of Rs.100 each. The issue expenses were Rs. 60,000. Determine the Cost of preference share capital if shares are issued at a premium of 10%.

17) Discuss the long term sources ofworking capital.

Section C (2 X 20 = 40 marks)

Answer any TWO questions

18) Discuss the functions of finance manager in an organization.

19) Explain the factors determining the Cost of capital of a firm.

20) Cost sheet of a company provides the following particulars:

Elements of cost

Raw materials : 40%

Labour : 10%

Overheads : 30%

The following particulars are also available:

i) Raw materials remain in stock for 6 weeks

ii) Processing time : 4 weeks

iii) Finished goods are in stock for 5 weeks

iv) Period of credit allowed to debtors : 10 weeks

v) Lag in payment of wages : 2 weeks

vi) Period of credit allowed by creditors : 4 weeks

vii) Selling price : Rs.50 per unit

viii) Production in units: 13,000 p.a.

Prepare an estimate of working capital requirement.

21) Abishek Co. Ltd., is considering the purchase of a new machine. Two alternative machines (X and Y) have been suggested each costing Rs. 4, 00,000. Earnings after taxation are expected to be as follows:

Year	Cash inflow	
	Machine X Rs.	Machine Y Rs.
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,00,000	1,20,000
5	1,60,000	80,000

The company has a target rate of return on capital of 10% and on this basis, you are required to compare the profitability of the machines and state which alternative is preferable. The present value of Re. 1 (to be received at the end of each year).

Year	1	2	3	4	5
PV	0.909	0.826	0.751	0.683	0.621