



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034
B.Sc. DEGREE EXAMINATION – COMPUTER SCIENCE & MATHAMATICS
FOURTH SEMESTER – APRIL 2016
CO 4211 - FINANCIAL MANAGEMENT

Date: 27-04-2016
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

SECTION – A

Answer all the questions

(10x2=20)

1. Explain the term Leverage.
2. What is optimum capital structure?
3. List out the different types of working capital.
4. What is capital rationing?
5. What do you mean by indifference point EBIT?
6. Explain Internal rate of return.
7. Stock of raw material = Rs.40,000, Stock of Finished goods = Rs. 50,000, Debtors = Rs.12,000, Creditors = Rs. 20,000. Calculate Net working capital.
8. Calculate the Raw material holding period in days from the following:
Raw material on 1.1.2014 Rs.600
Raw material on 31.12.2014 Rs.500
Raw material purchased during the year Rs.1000
Period covered 365 days
9. A project requires Rs.30,000 as initial investment and it will generate an annual cash inflow of Rs.5,000 for ten years. Compute the pay-back period.
10. Market value per equity share = Rs.10, dividend expected per share = Rs.2. calculate cost of equity share

SECTION – B

Answer any four questions

(4x10=40)

11. Explain financial management with its objectives.
12. Explain the terms: a) Cost of Retained Earnings b) Capital Budgeting c) Operating Cycle d) Cost of Equity
13. Give the merits and demerits of pay back method
14. Explain the importance of cost of capital.
15. Following are the details regarding the capital structure of a company:

<i>Type of capital</i>	<i>Book value Rs.</i>	<i>Market value Rs.</i>	<i>After tax cost</i>
Debentures	60,000	37,000	6%
Preference capital	20,000	21,000	11%
Equity capital	60,000	1,50,000	14%
Retained earnings	50,000	-----	10%

You are required to determine the weighted average cost of capital using: (i) book value as weights and (ii) market value as weights.

16. Calculate the Degree of operating leverage, degree of financial leverage and the degree of combined leverage from the following data:

Output (in units)	1,35,000
Fixed costs	Rs.1,00,000
Variable cost per unit	Re.1.25
Interest expenses	Rs.20,000
Selling price per unit	Rs.3

17. A project needs an investment of Rs.2,50,000. The cost of capital is 12%. The scrap value is Rs.20,000 and Working capital is Rs.20,000. The Earnings after tax are as under:

Year	Earnings After Tax Rs.
1	40,000
2	60,000
3	80,000
4	50,000
5	35,000

Calculate the Average rate of return

SECTION – C

Answer any two questions

(2x20=40)

18. Explain the factors affecting Capital structure of a company.

19. Explain the functions to be performed by the finance manager.

20. Explain the impact of working capital management on liquidity and profitability.

21. Jai limited company is considering a capital investment proposal to install a new machine. The project will cost Rs.1,00,000 and will have a life span of 5 years and no scrap value. The cost of capital is 12%. The firm uses straight line method of depreciation. The company's tax rate is 50%. The estimated Cash flow after tax from the proposed investment proposal is as follows:

Year	CFAT Rs.
1	58,000
2	78,000
3	90,000
4	92,000
5	80,000

Compute:

a) Payback period

b) Net present value

c) Profitability index
