

SRI RAMAKRISHNA COLLEGE OF ARTS AND SCIENCE (AUTONOMOUS)
COIMBATORE

MODEL EXAMINATION: MAY- 2021

DEPARTMENT OF B.COM / B.COM CA / B.COM PA / B.COM BPS / B.COM IT / B.COM CS

2020-2021 : IV semester

19BPSCE01 – FINANCIAL MANAGEMENT

Time : 2 ½ Hours

Maximum : 50 Marks

SECTION – A (5 x 4 = 20 Marks)

Answer ALL questions

| | | | |
|---|-----|---|------|
| 1 | (A) | Why Business needs finance function- discuss | (OR) |
| | (B) | Explain the role of Financial Management | |
| 2 | (A) | Calculate the operating, financial, and combined leverages from the following informations. Sales Rs.50,000 Variable cost Rs.25, 000 Interest Rs 5,000 fixed cost Rs.15, 000. | (OR) |
| | (B) | What are the objectives of capital structure? | |
| 3 | (A) | Discuss the importance of cost of capital | (OR) |
| | (B) | Sri Ram industries ltd issued 10000, 10 % debentures of RS. 100 each. The tax rate is 50%. Calculate the before tax and after tax cost of dept if the debentures are issued A) At par b) at premium of 10% c) at discount of 10% | |
| 4 | (A) | Explain various steps in capital budgeting. | (OR) |
| | (B) | Compute ARR from the following information: Cost of asset: Rs.4,00,000 Cash flow after tax (CFAT): Rs.1,72,000 p.a Useful Life: 5yrs | |
| 5 | (A) | Define various components of working capital. | (OR) |
| | (B) | Identify the importance of working capital management. | |

SECTION – B (5 x 6 = 30 Marks)

Answer ALL questions

| | | | |
|---|-----|---|------|
| 6 | (A) | The Objective of Wealth Maximization is Superior to Profit Maximization- Explain | (OR) |
| | (B) | Discuss about various types of finances | |
| 7 | (A) | ABC Company has currently an all-equity capital structure consisting of 15000 equity shares of Rs.100 each. The management is planning to raise another Rs.25 lakhs to fiancé a major programme of expansion and is considering three alternative methods of financing: | (OR) |

| | | | |
|----|-----|---|------|
| | | (i) To issue 25000 equity shares of Rs.100 each. (ii) To issue 25000, 8% debentures of Rs.100 each. (iii) To issue 25000, 8% preference shares of Rs.100 each. The company's expected earnings before interest and taxes will be Rs.8 lakhs. Assuming a corporate tax rate of 50%. Determine Earnings Per Share (EPS) in each alternative and comment which alternative is best | |
| | (B) | Summarize any two theories of capital structure. | |
| 8 | (A) | A Firm issues debenture of Rs.1,00,000 and realizes Rs.98,000 after allowing 2% commission to brokers. Debentures carry interest @10%. The Debentures are due for maturity at the end of 10 th year. Calculate cost of debt. | (OR) |
| | (B) | Explain in detail about various dividend valuation models. | |
| | (A) | Classify various techniques in capital budgeting. | (OR) |
| 9 | (B) | A Company proposes to install a machine involving a capital cost of Rs 1,80,000. The life of the machine is 5 years and its salvage value at the end of the life is nil. The machine will produce the net operating income after depreciation of Rs 34,000 per annum. The company's tax rate is 45%. The net present value factors for 5 years are as under: Discounting rate 14 15 16 17 18 Cumulative factor 3.43 3.35 3.27 3.20 3.13 You are required to calculate the internal rate of return of the proposal | |
| 10 | (A) | Elaborate various kinds of working capital available for business. | (OR) |
| | (B) | Discuss in detail about cash operating cycle. | |
