

(6 pages)

NOVEMBER 2019

65152/KDA1B

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer any TEN questions

1. What do you mean by Financial Management?
2. Define - Preference Shares
3. What is Capital Structure?
4. Write a short note on "Average Cost"
5. What do you mean by Cost of Retained Earnings?
6. How will you find the earnings per Share?
7. State the features of cost of capital.
8. Define – Sensitivity Analysis
9. What is Cross Working Capital?

10. What do you mean by Cash Management?
11. Who is financial manager?
12. Define - Dividend Policy

PART B — (5 × 5 = 25 marks)

Answer any FIVE questions

13. Discuss about the scope of Financial Management
14. What are the features of Optimum Capital Structure?
15. State the determination of Cost of Capital.
16. P A firm has the following capital structure after tax costs for the different sources of funds used.

Sources of Funds	Amount Rs.	Proportion %	After Tax Cost %
Debt	15,00,000	25	5
Preference Shares	12,00,000	20	10
Equity Shares	18,00,000	30	12
Retained Earnings	15,00,000	25	11
	<u>60,00,000</u>	<u>100</u>	

You are required to compute the weighted average cost of capital

I M.com - Financial Management.

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17. From the following information, Calculate

- (a) Maximum Stock Level
- (b) Minimum Stock Level
- (c) Re-order Level

Minimum Consumption	-	240 units per day
Normal Consumption	-	300 units per day
Maximum Consumption	-	420 units per day
Re-order Quantity	-	3,600 units
Re-order Period	-	10 to 15 days
Normal order period	-	12 days

18. Explain about Stages of Working Capital Cycle.
19. Monthly cash Requirement - Rs. 1,20,000
Fixed Cost per transactions - Rs. 14
Interest Rate on marketable Securities - 7.5% p.a

You are required to calculate optimum cash Balance.

PART C — (4 × 10 = 40 marks)

Answer any FOUR questions

20. Explain about the external sources of finance.
21. A Ltd. Company needs Rs 6,00,000 for construction of a new plant. The following three financial plans are feasible.
 - (a) The Company may issue 60,000 equity shares of Rs 10 each.
 - (b) The company may issue 30,000 equity shares of Rs 10 each and 3,000 preference shares of Rs 100 each bearing 8% coupon rate of interest.
 - (c) The company may issue 30,000 equity shares of Rs 10 each and 3,000 preference shares of Rs 100 each bearing 8% rate of dividend.

The Profit before interest and taxes (PBIT) is expected to be Rs 1,50,000. Corporate tax rate is 50%. Calculate the earnings per share under the three plans. Which plan would you recommend and why?

22. Mr.Kumar Purchased shares in Saradha Textiles Ltd. at Rs.317 per share, in January 2000. She held them for five years and sold them in January 2006 for Rs.500 The Dividend per share received by himself was as under:

2001- Rs.15 2002- Rs.15 2003- Rs.18
2004- Rs.18 2005- Rs.20

Calculate the cost of Equity capital.

23. What is Investment Decision? State the its importance.
24. From the following details, Prepare an estimate of working capital of Kodak Ltd.

Particulars	Average Period of Credit	Estimated for first year (Rs.)
Purchase of Materials	6 months	26,00,000
Wages	1½ weeks	19,50,000
Overheads:		
Rent, Rates etc	6 months	1,00,000
Salaries	1 months	8,00,000

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Other Overheads	2 months	7,50,000
Cash Sales	-	2,00,000
Credit Sales	3 months	60,00,000
Stock and W.I.P		4,00,000
Average amount of undrawn profits		3,00,000

Assume that all expenses and income were made at an even rate for the year.

25. Bring out and discuss the importance of financial planning.

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