8. A newly formed company has applied for a loan to a commercial bank for financing its working capital for the company. Following is the Projected Profit and Loss Account :

Particulars	Rs.
Selling Price	200
Material	80
Direct Labour	20
Overhead	60

(i) Raw material in stock for one month.

(ii) Material in progress on an average of half month.

(iii) Finished goods storage period is one month.

(iv) Credit allowed by suppliers are one month.

(v) Lag in payment of wages is 1.5 weeks.

(vi) 1/4 sales is cash sales.

(vii) Cash in hand (expected) Rs. 1,25,000.

(viii) Credit allowed to customers is two months.

(ix) You are required to prepare a statement showing the working capital requirement.

9. Explain in detail the Walter's dividend model. 2×15

(i) Printed Pages : 4 Roll No. ....

(ii) Questions : 9

Sub. Code : 0 8 3 6

Exam. Code : 0 0 1 6

Bachelor of Commerce 6th Semester

(2040)

FINANCIAL MANAGEMENT

Paper—BCM–602

Time Allowed : Three Hours] [Maximum Marks : 80

Note: Attempt 50% of Total Questions of Question Paper. Time: 2 Hours
All will carry equal marks. Fraction will be lower digit.

~~two questions from Unit–III, each question carries 15 marks.~~

UNIT–I

1. Attempt any **four** of the following :

(a) What is meant by wealth maximization ?

(b) Compute the future value for Rs. 20,000, deposited in bank for a period of 5 years at 12% p.a. Given $(1.12)^5 = 1.762$.

(c) A project costs Rs. 5,00,000 and yields an annually profit of Rs.80,000 after depreciation at 12% per annum but before tax at 50%. Calculate the pay back period.

(d) A company issues Rs. 50,00,000, 10% redeemable debentures at a discount of 5%, the floatation cost is Rs. 1,50,000. The debentures are redeemable after 5 years at par. Calculate the cost of debts capital assuming the tax rate of 50% ?

(e) What do you mean by Capital Market ?

(f) Calculate operating, financial and combined leverage from the following data :

Sale	5,00,000 units @ Rs. 10/unit
Variable Cost	Rs. 3.50 per unit
Fixed Cost	Rs. 5,00,000
Interest Charges	Rs. 20,000

4×5

UNIT–II

2. What do you mean by financial management ? What are the challenges of a Financial Manager ?

3. "A rational investor has a time preference for money." Explain the statement. What are compounding and discounting techniques for calculation of time value of money ?

4. From the following information, calculate the net present value at 10% discounting rate and internal rate of return for the project :

Years	Cash Outflows (Rs.)	Cash Inflows (Rs.)
0	1,50,000	---
1	30,000	20,000
2	---	30,000
3	---	60,000
4	---	80,000
5	---	30,000

The salvage value at the end of 5th year is Rs. 40,000.

5. Kishan Limited wishes to raise additional finance of Rs. 20 Lakh for meeting its investment plans. It has Rs. 4,20,000 in the form of retained earnings available for investment purpose, in addition the following information are available :

Debt/Equity mix : 30 : 70
Cost of debts upto Rs. 3,60,000 is 10% (Before Tax)
Cost of debts beyond Rs. 3,60,000 is 16% (Before Tax)
Earning per Share : Rs. 4
Dividend payout ratio : 50%
Expected Growth Rate of dividend : 10%
Current Market Price : Rs. 44
Tax Rate : 50%

You are required to :

(i) Determine the patterns for raising the additional capital.
(ii) Determine the post tax cost of additional investment.
(iii) Determine the cost of retained earnings and equity.
(iv) Calculate weighted average cost of capital. 2×15

UNIT–III

6. Discuss the SEBI guidelines for raising corporate finance.

7. India Limited is capitalized with Rs. 10,00,000 divided into 1,00,000 equity shares of Rs. 10 each. The management desires to raise another Rs. 10,00,000 to finance a major expansion program, there are four financial plans.

(i) All Equity Shares
(ii) All 8% Debentures
(iii) Rs. 5,00,000 in Equity Shares and Rs. 5,00,000 in 10% Debentures.
(iv) Rs. 5,00,000 in Equity Shares and Rs. 5,00,000 in 10% Preference Shares

You are required to calculate EPS if the EBIT is :

(a) Rs. 4,00,000
(b) Rs. 6,00,000