

Sree Chaitanya Mahavidyalaya

INTERNAL TEST. 2021

B.COM (HONS), SEM.-VI

Subject : Financial Management

Subject Code : FACACOR13T

TIME: 1 HOUR

F.M-20

1. Answer Any 5 Questions

(5X1=5)

- What is wealth maximization objective of a firm?
- How can you define Explicit cost of capital?
- What do you mean by Trading on Equity?
- Define composite leverage.
- What do you mean by over capitalization?
- Mention the components of Working capital?
- State the Significance of Capital budgeting.
- What is dividend pay-out ratio?

2. A company supplied the following information to you and requested to compute cost of capital based on book values as well as market values.

Source of Finance	Book Value	Market Value	After Tax Cost. (%)
Equity Capital	Rs. 10,00,000	Rs.15,00,000	12
Long-term Debt	8,00,000	7,50,000	7
Short-term Debt	<u>2,00,000</u>	<u>2,00,000</u>	4
Total		20,00,000 24,50,000	

(5)

OR

From the following information relating to Alpha Industries Limited, Calculate (i) EBT; (ii) EPS; (iii) Operating Leverage ; (iv) Financial Leverage and (v) Combined Leverage

Selling Price/unit	Rs.15
Variable Cost /unit	Rs.10
Quantity(Nos).	20,000
Fixed Cost	Rs.30,000
Interest	Rs. 15,000
Tax Rate	40%
No. of Equity Shares	5,000

(5)

3. A firm engaged in a large scale consumer retailing. From the following information, you are required to forecast their working capital requirement :

Projected annual Sales = Rs.65,00,000

Percentage of net Profit on cost of Sales = 25%.

Average Credit period allowed to debtors=10 weeks,

Average Credit Period allowed by. Creditors=4 weeks.

Average stock carrying (in terms of sales requirement)=8 weeks

Add 10% to computed figures to allow for contingencies.

(10)

OR

From the following information state whether the firm's dividend policy as per Walter's Model is optimum :

Earnings of the firm	:	Rs.1,00,000
Dividend Paid	:	Rs. 75,000
Number of Shares	:	50,000
Per Share Value	:	10
Price earnings ratio	:	8

(10)

To submit the Answer-Script, click on the link below.

<https://forms.gle/yyB5VCRG4ENr2ex77>