सर्वं विज्ञानम्

WEST BENGAL STATE UNIVERSITY

B.Com. Honours 6th Semester Examination, 2024

FACACOR13T-B.COM. (CC13)

FINANCIAL MANAGEMENT

Time Allotted: 2 Hours | Full Marks: 50

The figures in the margin indicate full marks.
Candidates should answer in their own words and adhere to the word limit as practicable.
All symbols are of usual significance.

GROUP-A

Answer any *two* questions from the following $10\times2=20$

1. (a) An investor deposits ₹50,000 in a bank account for one year at 8% interest. Find out the amount which he will have in his account if interest is compounded: 1+2+2

(i) Annually

(ii) Half-yearly

(iii) Quarterly.

(b) Briefly explain the three key functions of financial management. 5

2. (a) Sunlight Ltd. has an investment of ₹2,50,00,000 divided into 50,000 ordinary shares and the internal rate of return of the company is 12%. What will be the price per share as per the Walter's Model if the payout ratio is 75% and Cost of Capital is 15%? Do you consider that the given payout ratio is optimum? 5

(b) The market price of the equity shares of X Ltd. is ₹9 (face value ₹10 per share). The company is expected to declare a dividend 25%. If dividend is expected to fall @ 3% every year, calculate the cost of equity share capital. 5

3. (a) What is leverage? 2

(b) Combined leverage and operating leverage figures of a company are 4.8 and 3.2 respectively. Find the financial leverage and Profit volume ratio, given that equity dividend per share is ₹2.50, interest payable ₹0.80 lakh, fixed cost is ₹5.28 lakhs and sales is ₹30.72 lakhs. 8

GROUP-B

Answer any *two* questions from the following $15\times2=30$

4. You are supplied with the following information in respect of MNC Ltd. for the ensuing year: 15

Production of the year	69,000 units
Finished goods in store	3 months
Raw materials in store	2 months' consumption
Production process	1 month
Credit allowed by creditors	2 months
Credit given to debtors	3 months
Selling price per unit	₹50
Raw materials	50% of selling price
Direct wages	10% of selling price
Manufacturing and administrative overheads	16% of selling price
Selling overheads	4% of selling price

There is a regular production and sales cycle, wages and overheads accrue evenly. Wages are paid in the next month of accrual. Materials are introduced in the beginning of the production cycle. Assume all sales are on credit. You are required to ascertain its working capital requirement.

5. A company is considering an investment proposal to install a new machine at a cost of ₹50,000. The machine has a life expectancy of 5 years and no salvage value. The tax rate is 35 percent. Assume the firm uses straight line depreciation and the same is allowed for tax purposes. The estimated cash flows before depreciation and tax (CFBT) from the investment proposal are as follows: 15

Year	1	2	3	4	5
CFBT (₹)	10,000	10,692	12,769	13,462	20,385

Compute the following:

(i) Payback Period

(ii) Average rate of return

(iii) Internal rate of return

(iv) Net present value at 10 percent discount rate

(v) Profitability index at 10 percent discount rate.

6. (a) The following information is available from the Balance Sheet of a company: 8

Equity Share Capital: 20,000 shares of ₹10 each	₹2,00,000
Reserves and Surplus	₹1,30,000
8% Debentures	₹1,70,000

The rate of tax for the company is 30%. Current level of Equity Dividend is 12%.

Calculate the weighted average cost of capital using the above figures.

(b) Discuss Gordon's Model of Dividend Policy based upon its assumptions, formula and implications. 7

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