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BCMCMC 383

**Choice Based Credit System Sixth Semester B.Com. Degree
Examination, July/August 2023
(2021 – 22 Batch Onwards)
COMMERCE
Financial Management – II**

Time : 3 Hours

Max. Marks : 120

SECTION – AAnswer **any four** questions.**(4×6=24)**

1. Explain any six factors determining the size of working capital.
2. Explain the functions of Treasury Management.
3. Explain the activities of Sponsor in Mutual Fund.
4. Vaibhav Systems Ltd. issued 10000, 14% Redeemable Debentures of ₹ 100 each. These are redeemable after 6 years at a premium of 10%. The cost of flotation is 2%. The applicable tax rate is 30%. Compute the cost of debentures.
5. The following data relate to three companies. Using Walter's Model, calculate the market price of their shares.

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	Company A	Company B	Company C
EPS	₹ 10	₹ 5	₹ 30
Return on Investment	35%	32%	45%
Dividend Payout Ratio	4%	20%	5%
Cost of capital	9%	9%	9%

6. Vaishalya Ltd. furnishes the following data. Determine the trend values by showing the calculations. Consider 2020 as base period.

Year	Sales (₹)	Debtors (₹)	Inventory (₹)
2020	30,000	8,000	3,000
2021	31,200	7,900	3,100
2022	45,000	9,000	6,000

SECTION – BAnswer **any four** questions.**(4×12=48)**

7. What are the methods for improving liquidity position of a company ?
8. What is Asset Management Company ? Explain its features.

P.T.O.



9. Varidhi Enterprises furnish the following particulars for the year 2022. Calculate working capital requirement based on Operating Cycle, assuming 360 days for a year.

Average inventory :	Amount in ₹
Raw Material	40,000
Work in Process	60,000
Finished Goods	80,000
Other Particulars	
Raw materials consumed	14,40,000
Cost of production	36,00,000
Cost of goods sold	57,60,000
Credit sales	54,00,000
Credit purchases	28,80,000
Total debtors	1,80,000
Total creditors	1,04,000

10. The financial details of eight fertilizer companies for the year 2021 – 2022 are given below along with expected growth rates. Calculate their cost of equity shares.

Sl. No.	Company	Face Value (₹)	Dividend %	Market Price (₹)
1	A Co. Ltd.	10	18	34
2	B Co. Ltd.	2	85	77
3	C Co. Ltd.	2	225	281
4	D Co. Ltd.	10	38	103
5	E Co. Ltd.	10	20	78
6	F Co. Ltd.	10	15	190

11. Apply Modigliani-Miller hypothesis and determine the share prices of the following companies after the declaration of dividend.

Company	Face Value (₹)	Price before declaration of Dividend (₹)	Dividend per share (₹)	Cost of Equity %	Net profit (₹ Crores)
M Co. Ltd.	10	600	12	5	320
N Co. Ltd.	10	418	6	6	110
O Co. Ltd.	10	206	5	7	56
P Co. Ltd.	10	165	12	4	250
Q Co. Ltd.	10	5,980	20	5	175
R Co. Ltd.	100	6,250	25	6	200



12. From the following particulars prepare common size income statement. (Show the calculations) Sales ₹ 4,00,000, Material Cost ₹ 1,20,000, Wages ₹ 70,000, Factory Expenses ₹ 30,000, Office and Administration Expenses ₹ 12,500, Selling Expenses ₹ 13,600, Interest paid ₹ 8,000, Tax rate 35%.

SECTION – C

Answer **any two** questions.

(2×24=48)

13. Explain the benefits (merits) of bonus issue to the investors and SEBI guidelines on issue of bonus shares.
14. Proforma cost sheet of company shows the following particulars.

Element of cost	Amount per unit ₹
Raw materials	140
Direct Labour	80
Manufacturing overheads	60
Selling and Distribution overheads	20
Profit	100
Selling price	400

The following particulars are available.

- a) Raw materials are in stock on an average for two months.
- b) Materials are in process on an average for one month (100% complete in regard to materials and 50% for labour and overhead)
- c) Finished goods are in stock on an average for two months.
- d) 25% of the output is sold for cash.
- e) Credit allowed by creditors is two months.
- f) Credit allowed to customers is two months.
- g) Lag in payment of wages is one month.
- h) Lag in payment of overhead expenses are one month each.
- i) Cash in hand and at bank is expected to be ₹ 30,000.

You are required to prepare a statement showing the working capital needed to finance a level of 120000 units of production. Provide 20% Safety margin.



15. The following information has been extracted from the balance sheet of Vaishak Ltd. as on 31-12-2022.

	₹
Equity share capital	6,00,000
12% Debentures	4,00,000
18% Term loans	15,00,000
Total Funds	25,00,000

- a) Determine the weighted average cost of capital of the company, if it had been paying dividend at a consistent rate of 30% p.a.
 - b) What difference will it make if the current price of ₹ 100 per share is ₹ 160.
 - c) Determine the effect of income tax on cost of capital under both the premises. Tax Rate is 30%.
16. From the following information you are required to prepare Cash Budget for the month of January to April 2023.

Months	Sales (Credit) (₹)	Purchases (Credit) (₹)	Wages (₹)	Manufacturing Expenses (₹)	Administration Expenses (₹)	Selling Expenses (₹)
2022 Nov.	60,000	30,000	6,000	2,300	2,120	1,000
2022 Dec.	70,000	40,000	6,400	2,450	2,080	1,100
2023 Jan.	50,000	30,000	5,000	1,980	2,200	1,200
2023 Feb.	60,000	40,000	6,000	2,100	2,300	1,240
2023 Mar.	70,000	45,000	4,800	2,200	2,440	1,140
2023 April	80,000	50,000	5,200	2,400	2,360	1,420

Additional information :

- 1) The customers are allowed a credit period of 2 months.
- 2) The dividend of ₹ 20,000 is payable in April.
- 3) The plant purchased on 15th Jan. for ₹ 10,000. Building has been purchased on 1st March and the payments are to be made in instalments of ₹ 4,000 each.
- 4) The creditors are allowing a credit of 2 months.
- 5) Wages are paid on 1st of the next month.
- 6) Delay of payment of other expenses in 1 month.
- 7) Calls-in-arrears due January but received in March 2023 amounting to ₹ 5,000.
- 8) Investment was sold for ₹ 5,000 during April 2023.
- 9) Closing balance of cash during the period December, 2022 was ₹ 15,000.