Reg. No. | | | | | | | | | |

BCMCMC 363

Credit Based VI Semester B.Com. Examination, April/May 2018
(New Scheme) (2016 – 17 Batch Onwards)
Commerce
FINANCIAL MANAGEMENT – II

Time : 3 Hours Max. Marks : 120

***Instruction** : Provide working notes **wherever** necessary.*

SECTION – A

Answer **any four** questions. **(4×6=24)**

1. Rishik Ltd. issued 50,000, 8% debentures of Rs. 10 each. The cost of flotation are 2%. The rate of tax applicable to the company is 60%. The debentures are redeemable at a premium of 10%, after 5 years.

   Compute the cost of debentures.

2. Vedika Ltd. furnishes the following information. Determine the trend values. The year 2014 is considered as base year.

Year	**Sales (Rs.)**	**Debtors (Rs.)**	**Inventory (Rs.)**
2014	40,000	10,000	6,000
2015	42,800	9,800	6,100
2016	46,000	9,600	6,500
2017	55,000	12,000	12,000

3. Porko Ltd. supplies following figures. Calculate the market price of a share of the company, using Walter's model and Gordon's model.

Earning per share	Rs. 10
Dividend per share	Rs. 6
Cost of capital	20%
Internal rate of return	25%
Retention ratio	60%

4. Explain the types of working capital.

5. What are the functions of the custodian of a mutual fund ?

6. Explain the effects of cash deficits.

SECTION – B

Answer **any four** questions : **(4×12=48)**

7. The following information related to a company :

Earnings of the company	Rs. 5,00,000
Dividend payout ratio	60%
No. of shares issued	1,00,000
Equity capitalisation rate	12%
Rate of return	15%

a) What would be the market value per share under Walter's model ?

b) What is the optimum payout ratio according to Walter's model and the market value of company's share at that payout ratio.

8. Calculate the cost of redeemable preference share of the following companies. These shares of all the companies are redeemable after 5 years.

Companies	**Face value (Rs.)**	**Market price (Rs.)**	**Dividend (%)**	**Redemption premium (%)**
A Ltd.	100	105	12	5
B Ltd.	100	95	18	5
C Ltd.	10	11	20	10
D Ltd.	100	99	20	5
E Ltd.	10	9.50	10	5

9. Following are the Balance Sheets of Hippo Ltd. and Rhino Ltd. as on 31-3-2017.

Liabilities	Hippo Ltd. (Rs.)	Rhino Ltd (Rs.)
Equity share capital	2,00,000	3,00,000
10% Preference share capital	2,00,000	2,50,000
12% Debentures	1,00,000	2,00,000
Reserves and Surplus	1,00,000	1,20,000
Bills Payable	50,000	70,000
Sundry Creditors	1,50,000	4,60,000
	8,00,000	**14,00,000**

Assets	Hippo Ltd. (Rs.)	Rhino Ltd. (Rs.)
Land and Building	80,000	1,20,000
Plant and Machinery	3,00,000	6,25,000
Investments	1,00,000	2,00,000
Stock	1,50,000	2,00,000
Sundry Debtors	1,00,000	1,20,000
Cash at Bank	70,000	1,35,000
	8,00,000	**14,00,000**

Compare the financial position of the two companies with the help of common size Balance Sheet.

10. Mysore Trading has the practice of estimating working capital requirements on the basis of operating cycle. It furnishes the following details :

	Rs.
Average creditors	60,000
Average debtors	4,50,000
Raw material consumed	
(Purchased on credit)	36,50,000
Cost of production	1,09,50,000
Cost of sales	1,46,00,000
Credit sales	1,82,50,000

Average inventory in value terms :

	Rs.
Raw materials	2,20,000
Work-in-progress	8,10,000
Finished goods	8,40,000

Calculate the working capital required by the firm. You can assume 365 days in a year for the purpose of calculation.

11. What are Mutual Funds ? Describe different types of Mutual Funds.

12. Explain the functions of treasury management.

2) 10% of these sales are on cash and 90% on credit.

3) Of the credit sales 30% realised in the same month remaining 70% are collected during the following month.

4) Purchases are estimated to be 55% of the next month's sale.

5) Payment for purchases are made in the following month.

6) The company estimate the following payments :

   a) Salaries is Rs. 1,54,500 per month.

   b) Rent Rs. 17,000 per month.

   c) Other expenses Rs. 7,000 per month.

   d) Dividend payment Rs. 81,000 in the month of March.

   e) Payment for purchasing of equipment of Rs. 70,000 in May.

16. Discuss in detail the role and functions of different parties to a mutual fund.