

**D.K.M. COLLEGE FOR WOMEN (AUTONOMOUS), VELLORE-1**  
**SEMESTER EXAMINATIONS**  
**APRIL – 2019**  
**FINANCIAL MANAGEMENT**

**15CC06B**

**Time : 3 Hrs**

**Max. Marks : 75**

**SECTION-A (10 x 2 = 20)**

**Answer ALL the questions.**

1. Define financial management.
2. Mention any two importance of financial management.
3. What is financial leverage?
4. What do you understand by wealth maximization?
5. Give the meaning of interim dividend.
6. Explain the term working capital.
7. What is operating cycle?
8. State any two sources of short term finance.
9. Give the formula for Walter's model dividend policy.
10. Give a note on cost of capital.

**SECTION-B (5 x 5 = 25)**

**Answer any FIVE of the following questions.**

11. State the objectives of financial management.
12. Distinguish between under capitalization and over capitalization.
13. Explain the factors determining the working capital requirements.
14. A company issues 8% debentures of Rs.1,000 face value to be redeemed after 10 years. The debenture is expected to be sold at 5% discount. It will also involve flotation costs of 2.5% of face value. The company's tax rate is 30%. Compute the cost of debt.
15. The following information relates to ABC Ltd.

EPS	Rs.10
IRR	18%
Cost of capital	20%
Payout ratio	40%

Compute the market price under the Walter's model.

16. From the following information relating to XYZ Ltd., calculate (a) Operating cycle, (b) No. of operating cycles in a year assuming a 360 day year, and (c) Average working capital required, if annual cash operating expenses are Rs. 150 lakh.

Stock holding	Raw materials	:	2 months
	W.I.P	:	15 months
	Finished goods	:	1 month
Average debt collection period		:	2 months
Average payment period		:	45 days.

17. Explain the Role of Finance Manager in an organization.
18. Explain the factors determining cost of capital.

**SECTION-C (3 x 10 = 30)**

**Answer ALL the questions.**

19. (a) Explain the functions of financial management.

(Or)

(b) Discuss the factor determining a sound dividend policy.

20. (a) Explain the factors determining optimum capital structure.

(Or)

(b) The following data relates to Alpha Ltd.

Earnings per share = Rs. 14

Capitalization rate = 15%

Rate of return = 20%

Determine the market price per share under Gordon's model if retention is

(a) 40%,

(b) 60%,

(c) 20%.

21. (a) Rose Ltd. is engaged in customer retailing. You are required to estimate its

Working capital requirements from the following data:

Projected annual sales Rs. 9,00,000

Percentage of net profit to cost of sales 20%

Average credit allowed to debtors 1 month

Average credit allowed by creditors 2 months

Average stock carrying (in terms of sales Requirements)  $2\frac{1}{2}$  months

Add 10% to allow for contingencies.

(Or)

(b) Explain various Long term and Short term sources of Finance.

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